

Exhibit

FairPoint in northern New England: A Tale of Woe in Three States

A Sampling of Headlines from Vermont, New Hampshire, Maine

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FairPoint took over the operations systems for the access lines it purchased from Verizon in Maine, New Hampshire, and Vermont at the end of January 2009. We provide a sampling of new headlines about FairPoint customers' service woes since that date.

In Hawaii, echoes of FairPoint; Company bought Verizon lines, faltered
September 20, 2009/ Concord Monitor

Vt. bashes FairPoint filing, wants expedited probe
September 18, 2009/ AP

MAINE -- FairPoint ordered to respond to service complaint
September 15, 2009/ TR's State Newswire

CEO Says FairPoint May Be Headed for Bankruptcy Reorganization
September, 11 2009/ Telecom A.M.

FairPoint faces enduring debt, service headaches
September 11, 2009/ Charlotte Business Journal

FairPoint to renege on deal: Broadband expansion falls short
September 10, 2009/ Concord Monitor

Regulators sharply question FairPoint plan
September 9, 2009/ Bennington Banner

FairPoint: NH consumer advocate says no more concessions
September 8, 2009/ Fierce Telecom

Vt. threat to pull telecom's license 'not a bluff'
September 8, 2009/ AP

Phone customers frustrated, still: Bills mounted during four months without service
September 6, 2009/ Burlington Free Press

FairPoint switch proves to be a disaster
September 6, 2009/ Burlington Free Press

Watchdog fed up with FairPoint
September 4, 2009/ Concord Monitor

FairPoint's ongoing troubles reflected in second-quarter loss
September 4, 2009/ Fierce Telecom

Decision to approve FairPoint ignored major problems
August 27, 2009/ Kennebec Journal, Morning Sentinel

Board denies FairPoint waiver of PAP, C2C requirements
August 19, 2009/ State News Wire

FairPoint Back-Office Morass Comes to a Head
August 18, 2009/ Billing and OSS World

PUC should take harder line with FairPoint
August 16, 2009/ Portland Press Herald (Maine)

FairPoint: NH Must Prepare for the Worst
August 14, 2009/ Laconia Citizen

FairPoint to Face Three-State Hearing
August 13, 2009/New Hampshire Union Leader

13.4 percent of Homes cut FairPoint: Regulators, Firm to Meet Sept 9
August 13, 2009/ Concord Monitor

FairPoint Chief Grilled about Service Issues
August 11, 2009/Portland Press Herald

Legislative Panel Questions FairPoint on Systems Problems
August 13, 2009/TR's State NewsWire

In Vermont, Regulators give FairPoint 30 Days to Respond to Show Cause Petition
August 10, 2009/Associated Press Newswires

Two Sides of Verizon's Deal Making
August 10, 2009/Wall Street Journal

FairPoint Communications Posts 2Q Loss of \$17.8 Million
August 5, 2009/ AP

Keep the Pressure on FairPoint
August 5, 2009/Sun Journal

Legislative Panel Wants Answers from FairPoint on Systems Problems
August 3, 2009/TR's State newswire

Fairpoint Pledges to comply with NYSE Standards
August 1, 2009/ New Hampshire Union Leader (NH)

FairPoint's Problems Continue

July 31, 2009/The Eagle Tribune

NH Consumer Advocate: FairPoint Has No Plan

July 31, 2009/ New Hampshire AP News

FairPoint Team Assigned to Billing

July 31, 2009/The Union Leader

Panel to Hold FairPoint's 'Feet to the Fire' Aug. 12

July 31, 2009/Bangor Daily News

Fairpoint Faces Possible De-listing

July 31, 2009/ Charlotte Business Journal (NC)

Fitch Downgrades FairPoint Communications' IDR to 'RD'; Rates New Capital Structure

July 31, 2009/ Business Wire

FairPoint ordered to pay \$400,000 in penalties

July 29, 2009/ Kennebec Journal (MA)

FairPoint statistics off base

July 29, 2009/ Concord Monitor (NH)

Advocate Wants FairPoint Systems Audit

July 24, 2009/Portland Press Herald

State regulators get few answers from FairPoint

July 17, 2009/ Bangor Daily News (MA)

Vermont Advocate Slams FairPoint; New Hampshire to Review Performance

July 16, 2009/ Communications Daily

FairPoint's Vermont network problems continue to swell

July 16, 2009/ FierceTelecom

Officials want state regulators to probe FairPoint over complaints

July 15, 2009/ The Barre Montpelier Times-Argus (VT)

Vermont: FairPoint doesn't fix problems

July 15, 2009/ Brattleboro Reformer (VT)/AP

Fairpoint Seeks Debt Relief

July 7, 2009/ Morning Sentinel (ME)

Fairpoint Raises Bankruptcy

June 28, 2009/ Concord Monitor (NH)

FairPoint customers blanked
Rutland Herald (Vt.), 9 June 2009

South Burlington police phone lines restored
Burlington Free Press (Vt.), 9 June 2009

From bad to worse for FairPoint in Vermont
FierceTelecom, 9 June 2009

Phone service failure reported in some areas
9 June 2009

FairPoint Says It's Addressing Customer Complaints
WMUR, 9 June 2009

Phone service failure reported in some areas
Brattleboro Reformer (Vt.), 9 June 2009

Internet service woes prompt FairPoint complaints
Portland Press Herald, 7 May 2009

As land-line use falls, phone companies aren't ready to pull the plug
TMCnet.com (U.S.), 7 May 2009

FairPoint Customers Canceling
WCAX TV3, 7 May 2009

Fairpoint frustrates Internet customers
Bangor Daily News (MCT), 7 May 2009

FairPoint's debt rating cut, Fitch cites restructuring fear
TR's State NewsWire, 8 May 2009

Fitch Downgrades FairPoint Communications' IDR to 'B-'; On Watch Negative
Business Wire, 7 May 2009

Internet service woes prompt FairPoint complaints
Portland Press Herald, 7 May 2009

FairPoint Customers Canceling
WCAX TV3, 7 May 2009

Fairpoint frustrates Internet customers
Bangor Daily News (MCT), 7 May 2009

FairPoint posts \$8.8M loss
Business Journal (Charlotte, N.C.), 6 May 2009

Moody's downgrades FairPoint's CFR to B3; ratings remain on review
Moody's Investors Service Press Release, 6 May 2009

FairPoint chief paid \$1.2M, report says
Bangor Daily News, 6 May 2009

FairPoint execs get bonuses, revenue dips
FierceTelecom, 6 May 2009

FairPoint loses lines in northern New England
Portland Press Herald, 6 May 2009

FairPoint's execs collect big
Concord Monitor, 6 May 2009

Phone access lines fall 1.8 percent
Concord Monitor, 6 May 2009

Fairpoint is in a race for its very survival
Primary Monitor, 12 April 2009

Local State Reps Miller, Pieh announces rebates for Fairpoint E-mail outages
US Fed News, 13 April 2009

FairPoint's Problems
Bangor Daily News, 4 April 2009

REGIONAL -- FairPoint under fire from regulators, consultant for service lapses
TR's State NewsWire, 6 April 2009

FairPoint acknowledges its NH service is subpar
Rocky Mount Telegram, 2 April 2009

FairPoint to go before utilities commission
Nashua Telegraph, 2 April 2009

FairPoint acknowledges its NH service is subpar
Herald-Sun (N.C.), 2 April 2009

FairPoint Acknowledges Poor Customer Service
WMUR, 2 April 2009

Charlotte-based FairPoint acknowledges its NH service is subpar

Local Tech Wire, 2 April 2009

FairPoint promising fix; consultant skeptical
Associated Press Newswires, 20:30 GMT, 2 April 2009

FairPoint acknowledges its NH service is subpar
WLOS TV, 2 April 2009

FairPoint service remains unstable
Concord Monitor, 2 April 2009

Vermont wants improved service from telecom firm
Associated Press Newswires, 08:53 GMT, 3 April 2009

FairPoint promising fix; consultant skeptical
Rutland Herald (Vt.), 3 April 2009

FairPoint promising fix; consultant skeptical
Herald-Sun (N.C.), 2 April 2009

FairPoint executives told to fix problems faster
Associated Press Newswires, 22:23 GMT, 3 April 2009

Vermont to keep close eye on FairPoint
Burlington Free Press (Vt.), 3 April 2009

Anger rings off the hook at FairPoint hearing
Union Leader, 4 April 2009

Customers Vent Frustrations Over FairPoint Service
WMUR, 3 April 2009

FairPoint blasted at PUC hearing
Concord Monitor, 4 April 2009

NH PUC to hold hearing on FairPoint complaints
Associated Press Newswires, 22:04 GMT, 31 March 2009

Can FairPoint survive its missteps?
The Citizen Online, 31 March 2009

FairPoint sets June deadline for normal operations
Customer Interaction Solutions, 30 March 2009

FairPoint's problems could lead to hefty fines by state regulators
Brattleboro Reformer (Vt.), 28 March 2009

Vermont PSC Allows Fairpoint to Delay Debt Payment
TR Daily, 27 March 2009

In Hawaii, echoes of FairPoint Company bought Verizon lines, faltered

By CHELSEA CONABOY
Monitor staff
September 20, 2009

A small telecommunications company buys rural landlines from Verizon. Its computer systems fail, causing major headaches for customers, many of whom switch carriers. The company charges toward bankruptcy.

Sound familiar? FairPoint Communications isn't the only company that has struggled financially and operationally since taking over a Verizon network.

Hawaiian Telcom, a subsidiary of the global investment firm The Carlyle Group, bought more than 500,000 lines in 2005. The group filed for Chapter 11 bankruptcy in a Delaware court Dec. 1. Its creditors are set to vote on a reorganization plan by the end of the month.

It's a plotline that officials are concerned could play out here. And soon.

FairPoint has been saying since June that it could file for bankruptcy this year. CEO David Hauser emphatically told officials from New Hampshire, Maine and Vermont during a joint status conference this month that it was possible. Regulators seem to be holding their breath at the prospect, and New Hampshire's consumer advocate is urging the state to hire a bankruptcy specialist.

Now, Verizon is looking to sell off its landlines in 14 states, from Washington to Arizona and east to South Carolina. Already, that buyer, Frontier Communications, is deflecting comparisons to Hawaiian Telcom and FairPoint.

Byron Harris is director of the consumer advocate division in West Virginia, where Frontier will have to build new computer systems to handle the network. He said he has been following the troubles in northern New England.

"I am skeptical," he said.

Verizon has been shifting its focus away from the traditional phone services that dominate the rural market and toward wireless and fiber-optic television and internet technologies, which are easier to deploy in high-density metropolitan areas.

Officials in Hawaii and northern New England say Verizon had made it clear that it no longer planned to invest in its infrastructure or expand broadband access. The buyers in both places promised to do just that. Both have struggled to maintain even basic service.

FairPoint's operational problems have prompted an unprecedented number of complaints to regulators in Maine, Vermont and New Hampshire. The company, which took over operations in January after buying the network for \$2.4 billion, lost \$26.6 million in the first half of this year, according to federal filings. It has reneged on its commitment to expand broadband access to 75 percent of its access lines by the beginning of next month. And it has canceled a pilot program in Portsmouth to provide television services over fiber-optic lines.

Glenn Brackett, business manager for the International Brotherhood of Electrical Workers Local 2320, which represents more than 1,000 FairPoint workers, said the "sales pitch" in Hawaii, New England and now the Frontier territory have been identical: The buyers say they will cut the cost of operations by making the business more efficient with newer computer systems and reinvest money in new technology.

Instead, the failures of the new computers in Hawaii and northern New England have increased the cost of operations and have required outside experts to fix them.

"The transaction is not in the best interests of the economies of the states," Brackett said. "It's obvious. . . . In New Hampshire, it was, 'We're not Hawaii.' Now, in the Midwest it's, 'We're not Hawaii. We're not FairPoint.' "

Brackett and others with the union point the finger at Verizon, which they said dumped the networks on companies incapable of maintaining and improving them. Bob Erickson, a union representative for telecommunications, said customers relied on service from Verizon, a regulated utility, for years. Verizon collected steady rates, and "now they want to desert them," he said.

Verizon spokesman John Bonomo declined to talk specifically about why the company chose to sell the networks. But he defended the deals, saying regulators in each state gave them a "thorough scrubbing."

"It's not a bad thing to take the best interest of your company into consideration," Bonomo said. "And if a deal works for your company - that's what we did."

Hawaii

Hawaiian Telcom was already having computer-related problems when regulators here were considering the FairPoint deal.

Like FairPoint, Hawaiian Telcom had to build new computer systems to run the network, and those proved problematic. Experts testifying for FairPoint acknowledged that they would have to go through a similar process constructing the systems but said the deals were different.

First, they said, FairPoint had experience as a phone company, while The Carlyle Group had none. And, they said, they would test their systems to avoid the problems Hawaii was experiencing, such as having to manually move orders for new or changed service through the computers because the automatic systems weren't working.

Sam Greenholtz, an analyst with Telecom Pragmatics who spent 28 years with Verizon, said Hawaii's network was in far worse condition than what was on the ground in New England, and The Carlyle Group had little to no knowledge of what it was getting when it bought the network in May 2005. On top of that, the long-distance market - an important element in a tourist-driven economy - was on the verge of collapse, he said.

But customers with Hawaiian Telcom and FairPoint experienced similar problems: Bills were issued with errors or late or not at all. Requests for changes to service were severely delayed. State officials in Hawaii saw an unusually high number of customer complaints for about a year, said Catherine Awakuni, executive director of the consumer advocacy division there.

Awakuni said regulators had struggled with the question of whether the finances of Hawaiian Telcom's takeover were reasonable even before hitting such "potholes in the road." Then, the company had to hire first one vendor and then a second to fix its systems.

"I think it was a huge distraction in terms of their inability to focus on providing just good, quality service, in terms of interaction with their customers and rolling out new products," Awakuni said.

In the first three quarters of last year, Hawaiian Telcom posted a loss of \$105.33 million. In the year leading up to September 2008, it lost 8.5 percent of its access lines, according to federal filings.

The company has proposed a reorganization plan that calls for reducing more than \$1 billion in debt to \$300 million in new debt. The secured lenders would become the owners. A judge has approved the plan, and the creditors are in the process of voting on it.

If approved, the plan would go before state regulators. Awakuni said it's unclear what the end of the bankruptcy process would mean for operations.

"I'm not going to count any chickens," she said.

Scot Long, who is Brackett's union counterpart in Hawaii, hopes the reorganization will stabilize the company. But, he said, the company needs to roll out new products if it wants to be viable in the future.

"In my opinion," he said, "we're just getting our work started."

Frontier

FairPoint took over a network five times its previous size. If the proposed deal is approved, Frontier would grow threefold.

As with Hawaii and FairPoint, Frontier's \$8.6 billion deal with Verizon would be consummated through a tax-free process that involves spinning off Verizon's assets into a new company to be merged with the buying company.

Frontier representatives are trying to distinguish themselves from Verizon's past deals, particularly in West Virginia, where the computer systems to run the network won't come with the sale. As in New Hampshire and Hawaii, Frontier will have to build its own. Witnesses for the company told regulators in West Virginia that Frontier wouldn't have to start from scratch. Instead, it could expand the systems it already uses to service its 2 million customers. They also said the deal would reduce the company's debt ratios.

Harris, the consumer advocate there, is wary.

"This is a huge acquisition for them," he said. "No doubt about it."

Opponents to the sale point often to Verizon's past deals. A website for the Communications Workers of America union makes statements such as this: "Just ask the consumers in Maine, New Hampshire, Vermont and Hawaii if they are better off now than when Verizon ran their telecom operations."

But Harris said things are bad now. Verizon customers complain about their phones cutting out whenever it rains, he said, and repairs can take weeks.

"Verizon has let these facilities go to pot, quite frankly," he said. "My No. 1 concern is whether or not this acquisition is financially viable. Is Frontier going to be able to have the resources to repair all the wrongs?"

Harris said he knows that the answer to that question - as it was here - is uncertain.

New Hampshire Consumer Advocate Meredith Hatfield said that, at first glance, Frontier appears more capable than FairPoint was.

"It doesn't seem to me that they are the minnow swallowing the whale at quite the same scale," she said.

But, she said, any deal that Verizon strikes from this point forward deserves careful scrutiny.

The fact that the Frontier deal is on the table while FairPoint may be on the brink of bankruptcy isn't good for Verizon. But it could be good for FairPoint, according to Mark Lutkowitz, Greenholtz's partner at Telecom Pragmatics. He said it would be in Verizon's interest to help FairPoint by relieving some of its debt so that future deals in other states are cast in a more positive light.

"It would be the worst mistake Verizon made if they don't make sure that FairPoint stops itself from going bankrupt," he said.

Bonomo, the Verizon spokesman, said the company has already made concessions to help FairPoint through its transition.

"I don't know what we can do," he said.

<http://www.concordmonitor.com/apps/pbcs.dll/article?AID=/20090920/FRONTPAGE/909200401/1013>

Vt. bashes FairPoint filing, wants expedited probe

By John Curran

Associated Press Writer / September 18, 2009

MONTPELIER, Vt.—A day after FairPoint Communications told Vermont regulators its performance was improving, the state took aim on the company again Friday, saying its assurances lacked substance and asking regulators to order it to justify why its operating certificate shouldn't be revoked.

In a four-page letter to the state Public Service Board, the state's Department of Public Service -- a separate entity -- bashed FairPoint for providing an inadequate explanation of how it will address continuing customer service problems and failing to take the state's complaint seriously.

The state also asked the Board to halt "informal workshops" in which FairPoint representatives gave monthly updates to the Board and to expedite the investigation about its fitness.

The letter was sent in response to a filing Thursday in which the Charlotte, N.C.,-based company asserted that it had made big strides in solving problems.

"The Department does not dispute that FairPoint's filing precisely reflects to the letter that which it was asked to provide," public advocate Sarah Hofmann wrote. "Unfortunately, it also precisely reflects FairPoint's inability and unwillingness to address the managerial, systemic and service quality issues in a manner upon which the Department, or ultimately, the greater public, can rely."

FairPoint customers have been plagued with problems since the company took over land line and Internet business of Verizon Communications in Maine, New Hampshire and Vermont earlier this year following a \$2.3 billion buyout in 2008.

On July 14, the Vermont Department of Public Service -- which acts as advocate for ratepayers -- urged the Public Service Board to investigate whether the company should be allowed to continue operating in Vermont.

In its reply filed Thursday, FairPoint said it had reduced wait times for consumers who call in and sharply cut the number who hang up while waiting for someone to answer.

But state officials weren't impressed, saying FairPoint's filing lacked detail and that its remaining problems stem from "faulty processes and management."

"What I want is a viable phone franchise where customers are happy and the network is being supported with adequate investment," said Public Service Commissioner David O'Brien in an interview Friday. "It's our belief that they don't get it. They don't realize how serious we are, and that we are after results and results only. Anything else is secondary."

FairPoint spokeswoman Beth Fastiggi said the company would provide any more information the state wants. A Sept. 30 status conference is scheduled for FairPoint representatives to appear before the Board.

But she noted that so far, the Board had not opened a revocation proceeding.

"Of course, we take the Department of Public Service's actions seriously. And we certainly can provide additional details on the progress we're making to the DPS," she said.

Fastiggi said FairPoint has been working with Liberty Consulting -- an outside party hired by the three states -- to improve its processes.

"It's unfortunate that that's not recognized, because FairPoint's employees are completely dedicated to providing the best possible customer service and have worked tirelessly over the last several months to make the dramatic improvements that we've seen," Fastiggi said.

http://www.boston.com/news/local/maine/articles/2009/09/18/vt_bashes_fairpoint_filing_wants_expedited_probe/

MAINE -- FairPoint ordered to respond to service complaint

15 September 2009
TR's State NewsWire

The Public Utilities Commission yesterday ordered FairPoint Communications, Inc., to respond to a complaint by a group of business customers alleging extended periods of interruptions of FairPoint's frame relay service.

In denying the company an extension to file a formal answer, the PUC said FairPoint must respond by close of business yesterday.

FairPoint claims it's had difficulty gathering all the requisite information to file a "full and complete" response to the complaint because the complaint itself did not contain either circuit IDs or order numbers associated with the troubles or installations. The company said it was unable to respond with the most accurate information without circuit IDs and order numbers.

State law requires responses must be filed within 10 days. According to Hearing Examiner Peter Ballou, the commission does not have the authority to grant an extension.

In adopting this provision of Chapter 110, the commission made clear that it could grant deviations only from its rules and those statutes which expressly allow for waivers. Section 1302 is not one of those statutes, Mr. Ballou said.

To obtain the information FairPoint believes it needs to file a "full and adequate response," the company may engage in discovery pursuant to Chapter 110, section 822, he said.

FairPoint has come under fire for a raft of complaints by customers in Maine, including business customers.

Since FairPoint took over Verizon Communications, Inc.'s landline telephone and Internet operations in the region last year, customers have complained about billing errors, service orders not being fulfilled quickly enough, problems accessing personal e-mail accounts, and long wait times to speak to FairPoint customer service representatives.

Complex problems emerged after the company switched over from Verizon's back-office computer systems in February, known as the "cutover," which involved transitioning from 600 Verizon systems to only 60 new FairPoint systems, a monumental undertaking for the small, Charlotte, N.C.-based rural phone company. (Docket 2009-289)

CEO Says FairPoint May Be Headed for Bankruptcy Reorganization

11 September 2009
Telecom A.M.

Volume 15; Issue 175

FairPoint Communications is doing all it can to stabilize its finances and serve New Englanders using the networks it bought from Verizon, CEO David Hauser told regulators from Maine, New Hampshire and Vermont. He and other executives of the carrier appeared before utility commission members at a special tri-state meeting in Derry, N.H. FairPoint is willing to consider bankruptcy if that's the best path, Hauser said. The telco, which he has headed since July, has been struggling in its finances and service quality. To shore up its books, FairPoint is cutting costs, producing new revenue and restructuring debt, Hauser said. "We are considering all other restructuring alternatives available to us, which may include the commencement of an in-court resolution under Chapter 11 of the U.S. Bankruptcy Code, with or without a pre-arranged plan of reorganization," he said.

FairPoint faces enduring debt, service headaches

New England regulators growing impatient with technology glitches

Friday, September 11, 2009

Charlotte Business Journal - by [John Downey](#) Senior staff writer

FairPoint Communications Inc. appears to have put allegations of corporate misbehavior to rest. But it still faces serious service and financial problems as it struggles to integrate its New England telephone franchise.

"New England will make or break FairPoint," Chief Executive David Hauser told regional regulators Wednesday in a joint session in Derry, N.H.

Hauser acknowledged some service problems continue, although he maintains the situation is improving. But he warned the debt FairPoint took on to buy the New England franchise for \$2.4 billion last year could cause problems.

He told regulators the debt needs to be restructured, and negotiations with creditors continue. But no agreement has been reached. And FairPoint might have to seek protection in U.S. Bankruptcy Court.

That could prove messy, and Hauser acknowledges that could be a long process. FairPoint could face the issue as early as the end of this month.

Regulators in Maine, New Hampshire and Vermont called the session to address persistent service issues after FairPoint's conversion of customers to its systems in February. The customers had been on **Verizon Communications Inc.**'s network until FairPoint bought the franchise.

FairPoint's troubles increased in mid-August. An anonymous tipster told regulators he believed FairPoint had faked tests meant to prove it could make the conversion. That sparked investigations by each state and FairPoint.

Chairman Thomas Getz of the N.H. Public Utilities Commission announced his commission had additional contact with the anonymous e-mailer. He says the person had no additional details to support the allegation. And the e-mailer professed himself satisfied with FairPoint's investigation that found no evidence of forged results.

"I read FairPoint's response and I am satisfied," the e-mailer wrote the commission Sept. 2. "I do see how there might have been confusion with interpreting some of the simulations and everything that was going on."

Hauser told regulators it has been difficult to see people jumping to conclusions about FairPoint based on the allegations. But he said the company will address any issues head on.

"If this anonymous e-mailer or anyone else has facts, and I emphasize facts, they wish to present to us for a closer look, I can assure everyone here that we will research them," he said. "Without further information, in my mind, this issue is closed."

The episode served to raise questions about service problems. Regulators are clearly less convinced that those issues have been resolved.

Hauser said the phone network itself has performed well. He said complaints fell largely into two categories — billing problems and delayed installations.

But it was evident regulators were impatient. David Cohen of the Vermont Public Service Board expressed frustration that FairPoint's latest plan for addressing the problems contained no deadlines for solutions.

Vicky Weatherwax, FairPoint's newly appointed head of business solutions, said a study will be completed by mid-November. And by the end of that month, FairPoint should have a detailed plan, she said.

Another regulator pointed out other service problems remain. He noted the phone network in central Vermont had been out for three hours on the day of the joint session.

Hauser told regulators the principal issue is for FairPoint to get control of the process of correcting the problems. He said great efforts had been made to resolve issues before he came on as chief executive July 1. But he said those efforts weren't sharply focused.

And he resisted proposals from regulators to hire additional consultants or compile more information. He said FairPoint was already collecting so much data it had ceased to be useful. And adding consultants would slow the company's progress.

N.H. Commissioner Amy Ignatius was among those who questioned Hauser closely about the company's financial condition.

Hauser told regulators he doesn't know if FairPoint will be in compliance with its debt covenants by the end of this quarter. If not, the company will have to renegotiate the temporary solutions it reached in July or undertake a restructuring.

He emphasized that could happen without any agreement from creditors on a restructuring. But he also emphasized a bankruptcy filing, if needed, would not disrupt service.

He acknowledged FairPoint could owe millions of dollars in penalties by the end of the month because of its continuing service problems.

FairPoint to renege on deal: Broadband expansion falls short

By Chelsea Conaboy
Monitor staff
September 10, 2009

FairPoint Communications told regulators yesterday that it will not meet its commitment to expand broadband internet access to 75 percent of its access lines by the beginning of October.

The issue was only briefly discussed during a hearing in Derry yesterday in which regulators from New Hampshire, Maine and Vermont questioned FairPoint executives. But it could have significant implications for the state and the company.

FairPoint Communications bought Verizon's landline network in the three states in April 2008. In a settlement that allowed the sale to move forward in New Hampshire, FairPoint agreed to expand its broadband reach from 62 percent of access lines to 75 percent within 18 months of the sale, 85 percent within two years and 95 percent within five years. That commitment to invest in the infrastructure was a major selling point.

The company could be fined \$500,000 for every percentage point it falls short, according to the settlement agreement.

FairPoint spokeswoman Jill Wurm said the company is scrambling to expand its network as much as possible by the deadline.

She said the company will file a report at the end of the month.

"We are charging ahead to build the network in order to be able to deliver service as quick as possible," she said.

FairPoint has been struggling financially and operationally since taking over the network at the end of January. Executives faced some stern words from regulators, but nothing that it hadn't heard in status conferences held since April.

In the seven months since FairPoint has taken over, "we have seen neither sufficient progress nor a firm commitment that will achieve an acceptable level of service," said Vermont Public Service Board Chairman James Volz.

Regulators questioned the company on operations, its financial outlook and recent organizational changes, including the hiring in July of Vicky Weatherwax, vice president of business solutions.

Weatherwax will oversee a plan submitted Tuesday to regulators that calls for hiring vendors to come up with a detailed plan for fixing operational problems.

Wholesale customers, FairPoint competitors who lease portions of the landline network to provide service to their own customers, have been among the hardest hit by the transfer to FairPoint. Several have asked regulators to impose civil penalties because their business has been hurt.

The plan outlines four meetings FairPoint managers will have with wholesale customers this month to address specifics and come up with solutions.

The plan does not set a timeline for fixing the problems, and the executives repeatedly declined to offer one.

CEO David Hauser said he would not "set an arbitrary deadline of when something's going to be fixed without knowing the amount of work to go into it." He also declined to set service benchmarks, saying too many metrics create confusion.

"I think people are turning to measurements out of frustration, trying to determine whether the company is being receptive," said Maine Commissioner Vendean Vafiades. Frustration seemed to be the feeling of the day.

Eyebrows raised among union representatives when, asked about company morale, Hauser said employees are "very excited about this business" and its potential.

"They asked the wrong party about the morale," said Glenn Brackett, business manager for International Brotherhood of Electrical Workers Local 2320, which represents more than 1,000 FairPoint workers.

Brackett, who commented after the hearing, said many of the people he represents are frustrated and concerned about the company's financial future.

Executive Vice President Jeff Allen raised the ire of several regulators when he said some complaints are not the fault of FairPoint. He cited one that came in yesterday, in which a customer called regulators complaining that residential broadband service was not available.

Vafiades said she was familiar with that case. The Maine commissioner said the customer wanted to urge FairPoint to expand its broadband access.

"They want to be your customer. They want to be part of your family," she said, raising her voice. "And, Mr. Allen, I think you should welcome those calls."

Asked how the company will lure back customers who have left FairPoint, Hauser said the products the company offers and the quality of the workers who deliver them will be enough.

He was open in talking about the possibility of Chapter 11 bankruptcy. He said it would be in no one's interest to liquidate the company because FairPoint has a steady stream of

revenue with which to repay its lenders over time. Because of that, he said, service to customers would not be affected in the case of bankruptcy.

"The bankruptcy judge is simply not going to do anything that would cause service to degrade," he said.

Hauser outlined areas where FairPoint has improved its systems, including customer service at its call center. He said a July internet promotion attracted thousands of new DSL customers.

He also outlined areas for improvement. Of the 10,400 orders for new or modified service in the systems yesterday, about 22 percent were late, he said.

FairPoint admitted to falling short on at least three other criteria laid out in the settlement agreement. It has not added a resident of northern New England to be a member of the board, set up a trust to pay for the medical benefits and life insurance of its New Hampshire retirees, or fully staffed a call center in Littleton.

When one commissioner suggested that the executives for FairPoint, which operates in 18 states, didn't feel the same urgency for improvement as commissioners, Hauser disagreed.

"Northern New England is what makes or breaks FairPoint, now or tomorrow or next week or as far as I can see," he said.

<http://www.concordmonitor.com/apps/pbcs.dll/article?AID=/20090910/FRONTPAGE/909100385>

Regulators sharply question FairPoint plan

HOLLY RAMER

Posted: 09/09/2009 11:07:43 PM EDT

DERRY, N.H. -- Executives from FairPoint Communications Inc. told utility regulators from three states Wednesday that it will be another two months before the company has a clear plan to resolve its customer service, billing and other problems.

Vicky Weatherwax, who in July was appointed to a new position of vice president of business solutions, said she expects to get recommendations from outside analysts by mid-November. By the end of that month, Fairpoint will decide how to implement them, she said.

Weatherwax was among four Fairpoint executives to speak at a highly unusual joint meeting of the New Hampshire Public Utilities Commission, the Maine Public Utilities Commission and the Vermont Public Service Board.

The goal was to give regulators an update on FairPoint's efforts to stabilize its troubled operation systems, as well as organizational changes and financial matters.

FairPoint, which is based in Charlotte, N.C., owns and operates phone companies in 18 states, but its largest holdings by far are in northern New England, where it bought Verizon Communications' landline telephone and Internet business last year. The company officially took over the system seven months ago and has been beset with problems ever since.

Fairpoint CEO David Hauser, who was hired two months ago, said the company has begun shifting from a "work around" mentality to a "fix-it and improve it" mentality. Calls to the company's customer service center are now answered in 20 seconds or less more than 89 percent of the time, he said, though problems remain, particularly with the accuracy of billing for business and wholesale customers. And about 22 percent of orders for new service or changes to existing services are late, he said.

"We have identified the areas that need further attention and have improvement plans in place for those areas," he said.

PSB 'frustrated'

Regulators repeatedly pressed the executives for estimates of when the problems would be fixed, but company officials offered no firm deadlines.

"One of the reasons we're here today is, frankly, frustration," said Vermont Public Service Board Chairman James Volz. He reminded the executives of their previous assurances that the problems would be cleared up by May.

"Quite clearly, that day has long since past, and we've seen neither sufficient progress nor a firm commitment that will achieve an acceptable level of service," he said.

Volz said performance has improved in some areas, but progress has come "only at high unsustainable costs." And he said Fairpoint has been given more than adequate time to get its act together.

"At this time we would like to hear concrete plans for addressing those problems," he said.

Commissioner Vendean Vafiades of Maine congratulated Fairpoint for improving the speed with which customer service representatives answer the phone, but said she wondered what happens after that. How many times are callers transferred before reaching someone who can help? How many times do they have to call back?

"I know you've only been at this two months, but we feel a greater sense of exigency," she told Hauser, who was quick to assure he shared her sentiments.

"I have a huge sense of urgency," he said. "Let's face it -- Northern New England is what makes or breaks FairPoint, now, tomorrow and next week and as far as we can see."

As he opened the hearing, New Hampshire Public Utilities Commission Chairman Thomas Getz said regulators have found no reason to further investigate allegations made through anonymous e-mail last month that FairPoint faked its readiness to take over the phone networks.

Getz said the person who wrote the e-mail was satisfied with the explanation FairPoint sent to Vermont authorities, and that authorities in all three states saw no basis for continuing the investigation.

Hauser also said an independent investigation also found no wrongdoing.

http://www.benningtonbanner.com/ci_13303657

FairPoint: NH consumer advocate says no more concessions

September 8, 2009 — 6:31am ET | By [Sean Buckley](#)

The Maine, New Hampshire and Vermont Public Utilities Commissions (PUC) will hold their first joint meeting in Derry, N.H. on Wednesday to discuss FairPoint Communications' ongoing operational issues with telephone lines in the three states it took over from Verizon officially this past February. While each of the three states have had their own separate hearings with FairPoint, the meeting in Derry will be the first time they have come together to ask the ILEC questions. Although open to the public, only the state's commissioners will get to ask FairPoint questions.

However, Meredith Hatfield, New Hampshire's Consumer Advocate, [says](#) that there's been enough talking and now each state's respective PUC needs to lay down the law. "It is time to stop asking questions and start really coming down on FairPoint and get them to change," she said in an interview with the *New Hampshire Union Leader*.

Since taking over Verizon's lines in February, FairPoint has struggled to resolve both residential and wholesale customer issues in a timely manner. [Vermont](#) has even gone so far as saying it would like to revoke FairPoint's right to do business in its state, while the Maine PUC [ordered](#) FairPoint to pay \$400,000 in fines for poor wholesale service to competitive local service providers.

New Hampshire's Office of Consumer Advocate said in a letter to the commission last week that holding Wednesday's session in a "legislative style" does a disservice to FairPoint's customers and other entities that have an interest in FairPoint.

"Neither interested stakeholders such as the OCA, nor members of the public have any opportunity to participate, and FairPoint's witnesses submit unsworn statements of fact. The Commission, and the public interest it is charged to protect, is ill-served by such a process," the letter said.

http://www.fiercetelecom.com/story/fairpoint-nh-consumer-advocate-says-no-more-concessions/2009-09-08?utm_medium=rss&utm_source=rss&cmp-id=OTC-RSS-FT0#ixzz0RINT0XND

Vt. threat to pull telecom's license 'not a bluff'

By Dave Gram, Associated Press Writer | September 8, 2009

MONTPELIER, Vt. --FairPoint Communications has a challenging couple of days ahead: It must explain its service problems in a hearing Wednesday with regulators from the three states where it provides phone and Internet service, and it has a Thursday deadline to tell why its license to operate in Vermont should not be revoked.

The Vermont office that represents consumers filed a petition with the state last month demanding to know why FairPoint should be allowed to continue operating given the problems its customers have had since FairPoint took over landline phone and Internet service for Vermont, New Hampshire and Maine from Verizon Communications in February.

"It's not a bluff," said Stephen Wark, spokesman for Vermont's Department of Public Service, which represents consumers before the state Public Service Board.

"We went in this direction because we felt it was critical to get the answers that we needed," Wark said. He added that while the move is a shot across FairPoint's bow, he did not expect to see the company run out of Vermont.

"We're talking about 'show us that you should be able to keep'" the license, he said.

States have revoked a company's license in the past, said Brad Ramsay, general counsel with the Washington-based National Association of Regulatory Utility Commissioners. But he said he could not recall it happening with a company with as large a presence in a state as FairPoint's 80 percent of the landline phone market in Vermont.

Regulators in New Hampshire and Maine have been reporting similar problems with FairPoint: billing errors, service order delays and long waits on call-in complaint lines. Only Vermont's consumer advocate has formally said the company's license should be on the line.

FairPoint spokeswoman Beth Fastiggi said the Charlotte, N.C.-based company was making progress and would describe that progress both in the meeting Wednesday in Derry, N.H., and in its written filing with the Vermont board.

"Our network has performed very well," she said. "Processing orders (for service changes), we had a lot of difficulty doing at first. But for the most part we can process basic types of orders now."

Maine Public Advocate Dick Davies, who represents consumers before his state's utilities board, said his office has been pushing FairPoint to hire consultants to help with its computer systems.

Vermont's petition raises the question: What would happen if the state were to determine that FairPoint isn't up to the job of running the state's largest phone network and providing Internet service to thousands of homes and businesses?

"You've got to have somebody who can run the phone company, provide the services," Davies said. "It's a pretty complicated process and the reason why it's taken so long to put something in place."

FairPoint, which paid \$2.3 billion to Verizon for the phone networks in the three states, also has a strong interest in keeping the property, Davies noted.

"The state can't deprive them of that very easily," Davies said. "You'd get a wicked fight from both the company and the people who financed them."

Peter Bluhm, a former telecommunications analyst with the Vermont Public Service Board, said even if FairPoint were told its license was being revoked, it likely would be required to stay on the scene until a replacement company could be found.

"FairPoint can't stop providing service until it gets permission to stop -- that's called exit control," Bluhm said. "Unlike dry cleaners and car mechanics, utilities are not just free to close up and stop providing service."

http://www.boston.com/news/local/vermont/articles/2009/09/08/vt_threat_to_pull_telco_license_not_a_bluff?mode=PF

Phone customers frustrated, still Bills mounted during four months without service

September 6, 2009

By Sam Hemingway, Free Press Staff Writer

This should be easy, Jamie Burfoot thought.

On Feb. 5, Burfoot called FairPoint Communications to tell a representative that he would soon be moving his Freedom Medical business in St. Albans to a new location in town and asked to have the company's phone line switched to the new site.

"They said it would only be a couple of weeks for us to get hooked up," Burfoot said. Try four and a half months.

"I'd call and call, asking for updates and I was either told nothing or told they'd get back to me," he said. "One lady told me, 'I can't do anything for you until you get off the line, and I can't tell when your phone line is going to get up and running.'"

For Burfoot, who likes to say he started Freedom Medical seven years ago with "62 dollars and a dream," not having a land-line phone at his business was a nightmare.

"The phone is the lifeblood of my business," Burfoot said. "I use it with billing, with insurance qualification, for supplies." It's how many of his customers come to him. Without the company phone, he's had to run his entire business off his cell phone.

"It's cost me business, it's cost me a lot on my credit score because it's been hard to stay on top of my bills," he said.

The last straw? FairPoint billed him for the four and a half months he was without the phone, to the tune of \$400 a month, Burfoot said. So far, he's received only a \$259 credit on his account in return.

He's not alone in his frustration with FairPoint.

In Vermont, 2,416 people complained about FairPoint in the first six months after it took over operation of Verizon's land-line system in the three northern New England states Jan. 31, according to figures from the state Department of Public Service.

That's an average of 403 complaints a month. Last year, before the Jan. 31 "cutover" from Verizon's network to FairPoint's, the monthly complaint average was 70. Comparative figures for New Hampshire and Maine were not immediately available.

"The calls about FairPoint have been unprecedented at the department," said James Porter, a special counsel to the department heavily involved in its monitoring of FairPoint. "It's been one thing after another."

The biggest number of complaints in Vermont, 611, involved billing issues, but there were also large numbers of complaints about change-of-service orders, repair or just an inability to talk to a FairPoint representative.

"What these complaint numbers cannot demonstrate ... is the number of complaints that FairPoint has indicated have been resolved, but have, in fact, not been resolved at all," the department

wrote in a July 13 petition asking the state Public Service Board to consider withdrawing FairPoint's license to operate in Vermont.

The department also said FairPoint had failed to meet a Public Service Board requirement to give customers who had had billing errors a \$5 credit beginning with the May billing cycle.

"While FairPoint has indicated those credits have been and are being provided, the department has been unable to identify any consumer submitting a billing error who has received the \$5 billing credit," the department said in its July 13 petition to the board.

Not every FairPoint customer is unhappy with the company's performance.

Marcel and Cheryl Yandow from Fairfax said they had no problems after their phone service switched over from Verizon to FairPoint.

"There have been no service or billing issues," the Yandows said in an e-mail responding to a Free Press request for FairPoint customers to tell their stories to the newspaper. "We are extremely pleased with FairPoint's service."

Likewise, Dick Nelson of Burlington said he had no problems when he contacted FairPoint a month ago change his long-distance service. "They took care of it," he said.

But the negative stories received by the newspaper outnumbered the positive ones.

Rebecca Blow of South Burlington told how she asked the company in February to transfer her elderly mother, Jacqueline LaBounty's, phone line from a Williston apartment to a Burlington assisted-living unit.

It never happened, despite a series of follow-up calls from Blow about what was going on. She finally gave up on getting the phone line switched, and her mother now depends on the assisted-living center's phone to contact friends and family.

"Many times, I was on the phone with FairPoint for hours," Blow said. "They finally told me they couldn't help me, that it was some sort of 'internal issue.' They couldn't say what it was, and I could never get past that with them."

Thursday, Blow received a bill from FairPoint for the August billing period. It was for the phone for her mother that was disconnected seven months ago.

<http://www.burlingtonfreepress.com/article/20090906/NEWS02/90905011/1007>

September 6, 2009

FairPoint switch proves to be a disaster

Phone provider facing pressure to fix problems — quick

By Sam Hemingway, Free Press Staff Writer

Two weeks before FairPoint Communications took control of Verizon's phone operations in Vermont, state regulators were warned that the firm still had problems with a key part of its telecommunications network.

The warning, contained in a Jan. 14 report from Liberty Consulting Group, said testing on daily use feeds for local exchange carriers was "incomplete."

The feeds provide important billing information to local phone service carriers, the "wholesale" portion of FairPoint's business and the provider of a major share of FairPoint's revenue stream.

"It is clear that a significant amount of daily usage feed (DUF) testing remains," the report said. "Unless there is dramatic progress soon on DUF, it is likely by the time of cutover that some DUF files will be in a form that will not allow the carriers affected to fully process the data automatically."

The warning was prophetic.

The daily usage feeds to the local phone carriers didn't work well, and FairPoint's problems with those carriers are a continuing problem, company officials concede.

The trouble is, not much else went right for FairPoint after the transition, or "cutover."

Customers found themselves unable to get changes to their phone service processed or resolve billing problems. Staff members were overwhelmed with calls and underprepared to handle them. Complaints to regulators about FairPoint jumped 500 percent over last year's pre-cutover figures.

"The magnitude of the disruptions and the impact of those disruptions on the customers from FairPoint's systems transition has been much larger than anticipated," Liberty Consulting wrote in a subsequent April 1 report.

Today, FairPoint is under pressure to resolve its operational and financial problems — the company lost \$23 million in the first half of 2009 and recently had to restructure its short-term debt — or face losing its license to operate in Vermont.

"If this company cannot pull itself together quickly and begin to operate acceptably, we'll find someone else who can," said James Porter, a Department of Public Service attorney who has worked extensively on the FairPoint case.

This week, FairPoint will get a chance to prove to regulators it is up to the task. Tuesday, it makes a presentation to regulators for the three states at a meeting in Derry, N.H. Thursday, it files a response to the department's request to the state Public Service Board to consider yanking FairPoint's operating license.

"We believe we will be able to take care of the issues facing us in a relatively quick manner," Beth Fastiggi, a FairPoint spokeswoman, said last week. "We look forward to reporting on our progress."

What went wrong

Porter said FairPoint and regulators might never know why so much went so wrong after the cutover.

“This case got more scrutiny than any case I’ve ever been involved with,” Porter said. “We’re all very interested in knowing what happened.”

The list of possible reasons is long, and it begins with the size of the challenge FairPoint faced after it decided to leverage \$2.35 billion to purchase a division of Verizon that was several times its size.

“This thing was destined to be a failure from the beginning,” said Sen. Peter Shumlin, D-Windham, president pro tempore of the Vermont Senate. “They were taking on more debt than they could support, and they were paying too much for it.”

As part of the deal with Verizon, FairPoint was obligated to pay Verizon \$11.5 million to \$16.5 million a month for use of Verizon’s system between March 2008, when FairPoint bought Verizon’s network in the three states, and Jan. 31, when it replaced Verizon’s network with its own.

FairPoint also embarked on an ambitious program to convert the 600 Verizon operational systems to the 60 systems FairPoint planned to use after the cutover.

“No one had ever undertaken something of that magnitude in the telecommunications industry,” Fastiggi said.

The timing of the cutover turned out to be a problem, too.

The nation was plunging into the worst economic downturn since the Great Depression at the same time the number of people relying on landlines for phone service was declining.

In the past year, FairPoint’s landline number dropped 9.3 percent, according to data provided by the company.

Finally, a review of nine Liberty Consulting Group status reports over the past two years suggests there were flaws in the staffing and training of employees.

“FairPoint’s ultimate success appears to be hampered by ad hoc internal processes and communications channels and the lack of systematic approaches to addressing the problems,” the April 1 report said.

Porter discounted a recent claim by an anonymous insider who alleged FairPoint misled Liberty Consulting by faking tests to make it look like systems were working when they weren’t, but said it was taken seriously for a time because it seemed plausible.

“We still do not understand how a test could go so successfully and then a system would fail so miserably,” Porter said.

Shumlin said he thinks part of the problem was that the regulators in the three states were not skeptical enough of FairPoint’s readiness claims.

“It’s been a case of the fox watching the chickens,” he said.

Shumlin said he is working with legislative leaders in New Hampshire and Maine on setting up an independent authority to watch over the FairPoint case.

FairPoint progress

Fastiggi, the FairPoint spokeswoman, said the company has made great strides in addressing the problems posed after the cutover.

“All of the basic orders are now being processed on a normal basis,” she said. “We’re not having very much difficulty with them at all.”

The company is working to resolve problems affecting its large business and wholesale customers, the ones who depend on systems like the daily usage feed system.

“It’s a very important market to us,” she said. “It’s a large segment of our business.”

Fastiggi said the company’s struggles and the negative publicity it has received have been hard on its employees, including 650 in Vermont.

“Morale could be better,” she said. “We’ve been through a tough time, but we’ve got some very committed people.”

<http://www.burlingtonfreepress.com/article/20090906/NEWS02/90905012>

Watchdog fed up with FairPoint Regulators delay recommendations

By CHELSEA CONABOY

September 04, 2009

Monitor staff

The Office of the Consumer Advocate and some wholesale customers of FairPoint Communications want state regulators to stop checking on the company's status and start taking action, including penalizing the company for its continued poor service.

It has been seven months since FairPoint took over the landline network for New Hampshire, Maine and Vermont, which it purchased from Verizon for \$2.4 billion last year. The company continues to be plagued with operational problems and has said it could declare bankruptcy.

Staff for the New Hampshire Public Utilities Commission were expected to submit recommendations yesterday regarding action the commission could take to push FairPoint to improve. The recommendations were intended to be the result of two days spent questioning FairPoint executives at the end of July.

Instead, the staff decided to wait until after a three-state status conference scheduled for Wednesday afternoon.

In a filing yesterday, the New Hampshire Office of the Consumer Advocate asked the commission to take up its petition submitted July 17 to formally investigate the company's operations with the help of a third-party consultant. Similar petitions have been submitted in Maine and Vermont.

The memo, signed by attorney Rorie Hollenberg, pointed to testimony in which company executives said that they were unfamiliar with service quality standards they are required to adhere to and that they had conducted "internal" analyses of their systems that were different from those provided to regulators.

Consumer Advocate Meredith Hatfield said the commission has not pushed the company enough - if at all. She said the commission needs to set guidelines and deadlines and carry out its authority to fine both the utility and individual agents or directors of the utility as needed.

"Why should FairPoint comply with anything?" Hatfield said in an interview. "They know now - look at the way the commissioners are treating them - they know they don't have to do it. There are no consequences."

Hollenberg's filing recommends that the commission obtain a bankruptcy counsel to prepare the state should FairPoint file.

It also asks the commission to require FairPoint executives to respond under oath to allegations made in an anonymous e-mail to regulators last month that the company faked tests of its computer systems. The tests were meant to determine if the systems were ready to take over the network. FairPoint has said it hired lawyers to investigate the claim and found no evidence to substantiate it.

FairPoint submitted its own recommendation to the commission yesterday: do nothing. "FairPoint respectfully requests that the Commission consider whether (further actions) will impact FairPoint's business operations," attorney Patrick McHugh said in his filing. McHugh wrote that the petition from Hatfield's office would be expensive, time consuming and not in the public interest.

"Time spent by key personnel answering extensive discovery requests and attending to litigation matters is time spent away from attending to FairPoint's business operations and the needs of FairPoint's customers," he wrote.

Several wholesale customers, FairPoint competitors who lease portions of the landline network to provide service to their own customers, submitted comments yesterday asking for more action from the commissioners. The systems that handle their orders for service changes have been particularly problematic. Several companies have asked the commission to grant them civil penalties because FairPoint's failures have negatively affected their business.

The commission has asked the parties to submit questions for FairPoint at Wednesday's conference. In response, Trina Bragdon of CRC Communications of Maine wrote, "The time for questions has passed." She said the wholesale customers cannot afford to wait any longer for FairPoint to right itself.

"What we need now is action," she wrote. "Hard deadlines must be set, regular and independent assessment conducted, and penalties imposed if there is to be any hope of changing FairPoint's course."

Bragdon asked that the company be given a deadline of Oct. 31 for eliminating a backlog of service orders from wholesale customers.

Liberty Consulting, a group hired by the states to monitor FairPoint's progress during and after the transition, reported yesterday that FairPoint has greatly improved service at its customer call centers. However, the report said, it has made little progress on issues pertaining to billing errors, the flow of orders through its systems and the manual processes it uses when there are glitches in the system.

Wednesday's status conference will be held at 1 p.m. at the Derry Municipal Center.

<http://www.concordmonitor.com/apps/pbcs.dll/article?AID=/20090904/FRONTPAGE/909040345&Template=printart>

FairPoint's ongoing troubles reflected in second-quarter loss

September 4, 2009 — 7:13am ET | By [Sean Buckley](#)

FairPoint Communications just can't get a break. Not only has the ILEC been hampered by problems with the cutover of the New England lines it purchased from Verizon in February, but now debt restructuring costs and lower sales caused it to post a \$17.8 million second-quarter loss. Overall earnings in the quarter were \$99 million, a reflection of lower revenue, higher operating expenses, and mounting debt expenses, as well as a recent private [exchange offer](#) for its outstanding senior notes. Meanwhile, second-quarter revenue was \$299.6 million, down from \$311.6 million in the first quarter of 2009.

Ongoing operational issues in its New England territory likely contributed to FairPoint's financial troubles. Recently, an anonymous e-mail emerged that the service provider apparently [faked readiness](#) to take over the lines. FairPoint conducted its own investigation and could not find evidence that such activities occurred.

But there does appear to be some light at the end of the tunnel. A spokesman for the Vermont Department of Public Service spokesman [told](#) the Burlington Free Press the agency will not investigate e-mail claims that FairPoint faked its readiness for the cutover from Verizon in its New England regions because "there does not appear to be enough corroborating evidence to conclude whether the allegation is accurate or inaccurate."

<http://www.fiercetelecom.com/story/fairpoint-ongoing-troubles-prompt-second-quarter-loss/2009-09-04#ixzz0RIJSnPY>

Decision to approve FairPoint ignored major problems

**Gordon L. Weil, a weekly columnist for Kennebec Journal, Morning Sentinel
08/27/2009**

A few years ago, Maine development officials would frequently tout the state's advanced telephone services.

Now, Maine scrambles to get back to where it was before FairPoint Communications bought the Maine system from Verizon in 2008.

Verizon is the successor of Nynex and, before that, New England Telephone, the company launched by Alexander Graham Bell, inventor of the telephone. Despite its long relationship with the state and its investment here, it wanted out.

It found a buyer in FairPoint, which would be almost eight times larger after acquiring the systems in Maine, New Hampshire and Vermont.

Verizon needed the approval of state regulators for the sale. The regulators agreed, apparently without seriously considering the option of rejecting the Verizon request. Utility regulators generally approve proposed mergers, acquisitions and sales and rely on their ability to impose conditions on the entities involved. Maine's conditions put customers ahead of shareholders, and they reflected worry about the deal.

Maine regulators also found dealing with FairPoint was easier than wrangling with Verizon.

Utilities are regulated because they provide a monopoly service essential to the public. Even with competition, there is only one set of poles and wires no matter how many companies use them. Their owner, Verizon in this case, was regulated.

Landline telephone service remains critically important to most people in rural states. But Verizon wanted to shed rural landlines so that it could focus its investments on wireless and broadband -- high speed data communications -- in more lucrative markets.

FairPoint, a small company based in North Carolina, sought to play with the big boys, so it wanted to buy the system and do what Verizon had resisted -- upgrade the system to better handle broadband.

The Maine Public Utilities Commission and regulators in other states could readily see that the acquisition would be a major stretch for FairPoint. They negotiated the best deal they could get out of Verizon and FairPoint and hoped for the best. They might have instead required Verizon to come up with a more viable buyer or get to work on fixing up a system from which it had profited for decades.

One insider explained why they simply went along with the deal. Regulators have little or no experience in the businesses they control, he said. So they worry about making what might turn out to be a mistaken business judgment. Instead they impose conditions up to the point where the participants balk.

A recent case in point involved Energy East, the company that owned Central Maine Power and some New York utilities. The New York Public Service Commission reviewed the proposed sale of Energy East to Iberdrola, a Spanish utility.

The New York hearing judge recommended against the sale. Control over essential utilities, including Maine's CMP, would transfer to Spain with no real benefit to customers. But the New York Commission approved the sale based on a grudging commitment from Iberdrola to come up with more cash for wind power.

In the FairPoint case, Maine regulators hoped for the best, but they did not get it. The financial crisis took its toll on FairPoint, a company that could have barely pulled off the deal in the best of times.

The Maine Commission missed a simple practice that many follow when they put in a new computer system. It's called redundancy, and it means operating the old and new systems in parallel until you are sure the new one works.

Verizon was not required to do that. Instead Verizon received a \$16 million monthly fee from FairPoint to help until the "cutover," when the FairPoint system would take control. Verizon is now gone, and the FairPoint system still does not work well.

FairPoint has backlogs in requests for service, loses e-mails and cannot accept bill payments over the Internet as Verizon did.

Vermont regulators are investigating whether FairPoint lied about being ready to cut over to avoid paying the Verizon fee.

Verizon did not really leave. It owns 60 percent of FairPoint and should be able to earn a return on that investment. Meanwhile, it has been relieved of the need to make any new investments in northern New England.

Maine law requires that a transaction such as this one should do customers no harm. The Legislature refused to adopt a higher standard requiring some real customer benefit. But this deal does not even meet the lower standard.

Some say that a FairPoint bankruptcy is not an alternative; the states would lose all control.

What good has control done us?

<http://morningsentinel.mainetoday.com/view/columns/6773629.html>

Board denies FairPoint waiver of PAP, C2C requirements

19 August 2009

TR's State NewsWire

The Public Service Board has denied a request by FairPoint Communications, Inc., for a waiver of certain requirements of the performance assurance plan and carrier-to-carrier guidelines performance standards grandfathered in from Verizon New England, Inc., but will allow for comments on how to proceed with the docket.

The board is looking for FairPoint, the Department of Public Service, and competitive telcos in Vermont to weigh in on whether regulators should order the incumbent phone company and other parties to negotiate PAP revisions to address new interfaces ahead of a broader effort at PAP simplification. The board is also seeking feedback on what to do about FairPoint's inability to generate critical PAP data.

In northern New England, FairPoint has proposed a number of changes to the PAP and C2C guidelines, which the company argues were established in the context of Verizon's system capabilities, not FairPoint's. The so-called "cutover" involved transitioning from 600 Verizon systems to only 60 new FairPoint systems, which has left the company unable to report results of specific measures. For example, certain pre-ordering metrics and one "Maintenance and Repair" metric reported in the PAP and C2C were previously evaluated based on parity with comparable retail results. The new FairPoint systems, however, are not able to perform the retail results simulations performed by the Verizon systems.

The old Verizon PAP and C2C also require reporting of certain pre-ordering wholesale transactions performance and Interface Availability, based on multiple interfaces which existed for CLECs to process transactions with the Verizon systems. The PAP and C2C currently reflect measures for EDI (electronic data interface), CORBA (common object request broker architecture), Web/GUI (graphical user interface), eWPTS (wholesale provisioning and tracking system) and EB (electronic bonding) interfaces. With the transition to FairPoint systems, there are now only three interfaces: Web/GUI, eWPTS, and WISOR. The WISOR interface replaces EDI and EB. The CORBA interface has been eliminated and, as such, the "Pre-Ordering Interface Availability," "Average Response Time," and "Parsed CSR" metrics for which CORBA results were reported can no longer be reported, FairPoint explained. In addition, results for CLECs which previously used EDI and EB interfaces and now use the WISOR interface will be reported under WISOR measurements. FairPoint is asking the PUC to only require reporting results for the systems the company currently employs -- WISOR, Web/GUI, and eWPTS.

In denying FairPoint's request to remove certain reporting and performance obligations under the PAP and C2C, the board said the company failed to show any basis on which to conclude that a waiver is due to "circumstances outside of its control."

The DPS and several competitive carriers -- One Communications, segTel, Inc., National Mobile Communications Corp., d/b/a Sovernet Communications, and Comcast Phone of Vermont, LLC -- had also opposed the waiver petition.

In its order, the PSB admitted that its denial of FairPoint's waiver request does not correct the underlying problem: FairPoint's systems cannot now generate all of the information necessary to comply with the PAP and C2C standards.

"FairPoint has, without asking for a modification of our orders, presented us with a fait accompli, essentially modifying the C2C standards and PAP unilaterally by failing to develop its systems to

meet the requisite standards," the board wrote in an order dated Aug. 6. "Under any standard, this failure was FairPoint's fault, but we still must address the effects of FairPoint's actions."

FairPoint is currently working with CLECs and other northern New England states on a revised, simplified PAP. The company has circulated an initial proposal and is reportedly working on modifications. The PSB believes that work should proceed in this docket. Comments are due Friday.

One of the conditions of northern New England regulators' approval of the Verizon-FairPoint merger was a requirement that FairPoint comply with the existing Verizon PAP. (Docket 7506) - Paul Barbagallo, paul.barbagallo@wolterskluwer.com

FairPoint Back-Office Morass Comes to a Head

8/18/2009

[FairPoint Communications Inc. \(FRP\)](#) will take the hot seat once again next month when regulators from Maine, New Hampshire and Vermont grill executives about the company's ongoing computer-systems setbacks, which continue to create serious snags for customers.

The New England LEC most recently faced lawmakers on Aug. 12 in Maine. That was the day FairPoint President Peter Nixon told a committee the LEC will have difficulty regaining customer trust. Utility commissioners are sure to pump Nixon on that point on Sept. 9 at a location that's yet to be announced.

To be sure, the situation at FairPoint is so bad there's been talk in news reports from public meetings of yanking the provider's licenses and speculation it will file for bankruptcy. So what happened? How did a regional carrier, established in 1991, go from respected to reviled?

The headaches began last year after [FairPoint bought landline and Internet assets from Verizon Communications Inc.](#) Then, once FairPoint cut over to a new computer system this past February, the problems exploded. At one point, some subscribers couldn't call the hospital, a public safety director has said. Others also have been unable to reach FairPoint customer service and still others have lost e-mail messages because of the provider's systems hiccups. Indeed, FairPoint admitted in its second-quarter earnings filings with the Securities and Exchange Commission, "the magnitude of difficulties experienced was beyond our expectations."

FairPoint now is trying to refurbish its tarnished image. It has replaced top executives and says "most areas" are operating "at or near normal levels." But the reality is, the computer systems complications continue, and they all go back to dealing with a former Bell in the first place.

"RBOC systems have evolved from decades of regulation and legacy requirements," Brian Washburn, research director for Current Analysis' network services unit, told B/OSS. "The Bell System heritage makes these systems very different from what the independents operate."

Combine that with short deadlines for switching systems and the trouble points start to add up.

"If you look at RBOC/ILEC M&A, existing support systems aren't getting cut over aggressively. It isn't done because it's not a good idea," said Washburn.

Next, consider that FairPoint had to hire hundreds of new people as it took over the northern New England region.

“That means a lot of new faces came in that may have been individually seasoned, but had not worked together before,” Washburn explained. “That raises the chance for miscommunication.”

FairPoint, too, blamed “work force inexperience on the new systems” for much of its customer service reps’ “increased handle time.” The lack of institutional memory slowed new orders, which led to provisioning, installation and billing delays, FairPoint said in its second-quarter filing.

Because of all of that, FairPoint customers overwhelmed the company’s call centers, and FairPoint couldn’t handle the spike in volume.

The circumstances make one wonder what FairPoint could have done differently. First, it could have insisted, before signing any papers, that Verizon extend the systems cut-over window to as much as three years past the original transfer date, said Washburn.

“Or,” he added, “FairPoint could've tried to force Verizon to offer an extensible contract to be its outsourced billing and clearance services provider.”

FairPoint also could have outsourced customer care to a company such as Convergys, Washburn noted.

“Even if there were systems problems, customers may have felt better being able to vent to a live human being over the phone.”

But that’s all coulda-shoulda-woulda. And the pressing question now is whether FairPoint will face any regulatory backlash for its poor integration work. Analysts say the possibility is slight because FairPoint now claims the privilege of being the region’s incumbent carrier.

“What can regulators do?” Washburn said. Plus, he added, “What sort of punishment is it to fine a company that is already struggling to meet its commitments?”

To that point, FairPoint incurred a total of \$36.6 million in unforeseen costs during the three months ended June 30. The company paid more overtime to contractors and internal employees than it had thought would be needed and “cut-over issues also required significant staff and senior management attention, diverting their focus from other efforts.”

Then, in the midst of that operational morass, FairPoint executives started facing state regulators, some of whom want to revoke the service provider’s license. Vermont has been the most vocal on that front. However, utility commissioners and FairPoint “share a common interest in having the carrier fix the glitches,” Washburn said.

Samuel Greenholtz, a telecom consultant, agreed.

“It would be much more sensible to work with ... the incumbent carrier and figure out how [states] can help,” he wrote in a recent posting for the Gerson Lehrman Group. It would be much more sensible to work with what is essentially the incumbent carrier and figure out how it can help.

For Washburn, the best remaining approach seems to be teamwork.

“Aside from harsh words, I don't see what state regulators can do ... and hope FairPoint's performance improves,” he said. “At this point a bankruptcy, M&A or transfer of assets, if it were tenable, would probably drag out the problems rather than fixing anything.”

<http://www.billingworld.com/articles/fairpoint-back-office-morass-comes-to-a-head.html#>

PUC should take harder line with FairPoint

Publication: Portland Press Herald (Maine)

8/16/2009

There has been no shortage of well-deserved criticism heaped on FairPoint Communications, the North Carolina telecommunications company that bit off more than it could chew when it bought Verizon's northern New England land-line phone business last year.

FairPoint's customer service failures have been well documented, and they are more than just predictable growing pains for a company moving up in class. Service delays have left some residential customers dangerously out of touch and have threatened the lifeblood of some business customers by leaving them without a presence on the Internet for extended periods.

But not enough criticism has been steered toward another player in this drama, the Maine Public Utilities Commission, which has been slow to act in response to FairPoint's failings.

It has recently moved against the company's interests by refusing to waive \$845,000 in penalties for service delays that harmed small telecommunications providers. But the commission also deserves some skeptical attention for failing to act more decisively sooner, when it became clear that there were problems.

They had warning. Liberty Consulting, the company that the PUC hired to monitor FairPoint, wrote a report saying that regulators in Maine, New Hampshire and Vermont "have closely monitored FairPoint's attempts to rectify the system's failure but have imposed few, if any, performance or managerial requirements on FairPoint. During this monitoring period, FairPoint has made little progress in resolving its issues. Given these failures, continuation of this approach is not recommended."

In other words, imposing performance requirements would be the way to go, according to the PUC's consultant. Why hasn't the PUC done that? Members of the Legislature's utilities committee are asking the same question.

The PUC can open investigations and mete out penalties if they are warranted. They can also use their broad powers as regulators to get to the bottom of what's happened to FairPoint and what needs to be done.

To that end, they should involve the smaller, competing telecommunications companies that rely on a healthy FairPoint system to meet their demands and who understand what's at stake.

"There are companies out there that are afraid they are going to go down with FairPoint if things don't get fixed," Wayne Jortner, a lawyer with the Public Advocate's Office told lawmakers this week.

FairPoint has agreed to a recommendation of the Public Advocate's Office to hire a consultant who would oversee its improvement effort for its operating system and report directly to the PUC. That would be an improvement, because, as Jortner said at the hearing, "The time for FairPoint to fix FairPoint's problems is over."

The time for the PUC to wait for that to happen has also passed. The commission should use all of the tools at its disposal to improve the performance of this vital utility before its customers suffer any more losses.

<http://www.allbusiness.com/government/government-bodies-offices-regional-local/12678798-1.html>

FairPoint: N.H. must prepare for the worst

Friday, August 14, 2009

The problems FairPoint Communications is having after taking over the Northern New England landline business from Verizon are myriad and well documented. As a result, FairPoint officials are currently in front of Vermont regulators fighting for their company's survival in the Northeast.

A "show cause" hearing before the Vermont Public Service Board, the equivalent of the New Hampshire Public Utilities Commission (PUC), was called in response to a petition demanding a thorough investigation of FairPoint's viability. Potentially, Vermont regulators could revoke FairPoint's right to do business in that state.

Whether Vermont puts the brakes on FairPoint's stumbling and bumbling, New Hampshire regulators had better be paying attention.

When insurance companies like AIG and institutions like Bank of America got in financial trouble Congress deemed them too big to fail.

Perhaps on a smaller scale, regulators in Vermont, Maine and New Hampshire may be confronted with a similar dilemma. What happens if FairPoint is shut down or fatally fails to deliver promised services?

It's not like there was a large stable of suitors conducting a bidding war when Verizon put its landline business up for sale in the three-state region. It was a list of one when Verizon and FairPoint went before regulatory panels.

As a result, public utility commissions from all three states had little choice but to roll the dice and approve the deal.

As one observer commented at the time, either leave the aging landlines with a company disinterested in that business or go with FairPoint which promised to expand and upgrade services in the region.

To be fair, FairPoint made a good argument at the time, even though it was a David looking to take over a Goliath. Even this newspaper editorialized that FairPoint should be given a chance to make its case before each state's regulatory panel.

Unfortunately, the promises made during those hearings may have been made on a wing and a prayer, as implied by James Porter III, special counsel to Vermont's Public Service Board.

"As we said in our petition, if FairPoint cannot raise its service quality to an acceptable level, it's our opinion that we've got to look at whether they should be operating the incumbent phone company here," said James.

"It's been an enormous amount of problems for an extraordinary amount of people. And we think they've had sufficient time to get things pulled together,"

Now, according to an Associated Press report, the New Hampshire PUC is considering a request from the state consumer advocate "to open a new investigation into FairPoint's poor performance."

If for no other reason than to prepare for the worst, the New Hampshire PUC should take its own look at the FairPoint mess. Hopefully such scrutiny will help solve the problems and keep FairPoint from crashing down around tri-state consumers. If worse comes to worse, New

Hampshire needs to be in a position to help find another owner for FairPoint's stake in Granite State landlines.

Bailing out FairPoint or a successor at any kind of taxpayer expense is not an option.

That said, when the dust settles and either FairPoint survives or doesn't, regulators need to take a good hard look at what they missed. How did FairPoint's assurances and game plan go astray? And what must be done by keepers of the public trust the next time around to avoid such a mess?

13.4 Percent of Homes cut Fairpoint

By **CHELSEA CONABOY**

Monitor staff

FairPoint Communications continues to lose customers just when the landline network operator needs them most.

According to the company's latest financial filings, it lost 9.3 percent of all access lines between June 2008 and June 2009. In northern New England, it lost 13.4 percent of its residential lines, 7.5 percent of business lines and 1.9 percent of broadband internet subscribers in the year's time. In each category, the company lost more in the second quarter of this year than in the first.

FairPoint bought the landline network in New Hampshire, Maine and Vermont from Verizon last year and took over operations at the end of January. It has faced financial and operational problems since, prompting an unprecedented number of complaints from customers.

Regulators in each state are considering petitions to open further investigations into FairPoint's management. They announced yesterday that they plan to hold a joint status conference in New Hampshire on Sept. 9 to discuss both financial and operational matters with CEO David Hauser and other FairPoint executives.

Meanwhile, FairPoint's financial future is looking increasingly grim, according to filings last week with the Securities and Exchange Commission:

Net losses in the first half of this year were \$26.6 million, compared with a net gain of \$32.66 million in the first half of last year.

Stockholder equity has dropped from \$23.79 million in December to \$1.23 million as of June.

The New York Stock Exchange has threatened to delist the company's stock, or remove it from trading, because its market value over 30 days dipped below a \$75 million minimum.

Three major credit institutions further downgraded the company to junk status, and one described the company as in "limited default."

The company made explicit references in its SEC filing to the possibility of Chapter 11 bankruptcy.

On July 29, FairPoint settled an offer to change the interest requirements on \$439.6 million of its debt. The company is pursuing more "out-of-court restructuring," according to the filing.

If that's not possible, it could file for bankruptcy. The filing said that would be a long process and listed various ways the company would be hurt by bankruptcy, including damage to its reputation and the inability to counter competition, raise capital, satisfy contracts with suppliers or enter into long-term contracts with customers.

"We executed the debt exchange. We see that as a first step," FairPoint spokeswoman Jill Wurm said. "On a more comprehensive debt restructuring, we're aggressively pursuing the next steps."

Wurm said no one from the company was available yesterday to talk in more detail about the financial plan.

At a time when the company would like to be focused on expanding its reach of broadband internet in the region - as it is required by the state - it saw a significant loss in internet customers. In the first quarter of this year, high-speed data subscribers increased by 1.6 percent. In the second quarter, they dropped 3.3 percent.

Some of the overall line loss was expected. In its Feb. 25, 2008, order the New Hampshire Public Utilities Commission required Verizon to pay \$15 million if FairPoint experienced a line loss of more than 10 percent in the first year and an additional \$15 million for more than a 7.5 percent loss in the second year. Verizon chose to pay the full \$30 million up front.

Consumer Advocate Meredith Hatfield said the line loss numbers are alarming, although some of it fits with the national trend of people moving away from landline telephones. She also questioned whether the numbers include the customers she is hearing from who are trying to cancel service but are still receiving FairPoint bills.

The New York Stock Exchange notified FairPoint on July 24 that it was out of compliance with listing standards. FairPoint has until Sept. 7 to respond with a strategy. The company's SEC filing said it planned to regain compliance by restructuring its debt and "the execution of certain growth initiatives in the business and broadband markets in northern New England." The company has said it is pursuing stimulus money to expand broadband in the region.

The SEC filing also said the company has paid at least \$106.9 million to Capgemini, the company it contracted to build the computer systems that run the network and that are now blamed for many of the problems plaguing customers.

The exact time and location of the joint status conference next month have not been announced. The public may attend, but only regulators will be able to question company executives.

Portland Press Herald Maine Sunday Telegram
FairPoint chief grilled about service issues

The company has 30 days to show that it has the money and know-how to serve Vermont customers.

The Associated Press August 11, 2009 .

MONTPELIER, Vt. — Fed-up regulators peneed a probe Monday into whether to revoke FairPoint Communications' right to do business in Vermont, grilling its president about customer service problems and ordering the troubled telecommunications provider to respond to a state "show cause" petition within 30 days.

The state Public Service Board gave the company until Sept. 10 to formally reply to a petition filed last month in which state officials asked for an investigation into whether FairPoint has the financial viability and operations know-how to recover from its inauspicious start handling telecommunications business in Vermont, New Hampshire and Maine.

FairPoint, which is based in Charlotte, N.C., bought Verizon's land line business and Internet operations in the three states in a \$2.3 billion deal last year.

It took over operations Feb. 1, and its customers have been plagued with problems since, from billing errors and service order delays to long waits on call-in complaint lines.

"As we said in our petition, if FairPoint cannot raise its service quality to an acceptable level, it's our opinion that we've got to look at whether they should be operating the incumbent phone company here," said James Porter III, special counsel to the Public Service Board.

"It's been an enormous amount of problems for an extraordinary amount of people. And we think they've had sufficient time to get things pulled together," he said.

Similar problems have occurred in Maine and New Hampshire.

In Maine, state regulators have rejected FairPoint's request to waive more than \$845,000 in penalties owed to local phone competitors in Maine for poor network service from February through April. Maine's public advocate has called for the hiring of an outside expert to scrutinize FairPoint's computer systems.

In New Hampshire, the Public Utilities Commission is considering a request from the state consumer advocate to open a new investigation into FairPoint's poor performance.

Among the issues:

- Billing mistakes and other problems that led to an "unprecedented" number of complaints filed with the Vermont Department of Public Service and its consumer advocate, including 458 in February, 572 in March, 602 in April, 339 in May, 323 in June and 412 in July. Now, 518 of them are unresolved.

- FairPoint's response to problems reported by both customers and the state. Vermont officials complained earlier that a "stabilization plan" filed by the company March 31 contained no substantive proposals for turning things around.

On Monday, in a meeting with the Public Service Board and FairPoint President Peter Nixon, Vermont's coordinator of consumer affairs said that state staff members randomly call FairPoint help lines and routinely wait between two and four minutes before a person comes on the line, far longer than the 17-second average wait time Nixon reported.

One board member told Nixon he had seen complaints from FairPoint customers who said they called the company over a problem and were promised a callback but never got it.

"No excuses for not calling the customer back," said Nixon, who said FairPoint had reduced wait times on call-in lines, improved the accuracy of bills and made inroads in reducing the wait time for installations.

In an interview, FairPoint spokeswoman Beth Fastiggi said the company is eager to fix its problems and is eager to let the board and the public know how it's doing.

"Vermont is a very important business to FairPoint. We need to be successful. And to do that, we need to get our systems running the way we want them to be and improve our reputation," she said.

Ralph Montefusco, an organizer for Communications Workers of America Local 1701 of Burlington, which represents FairPoint workers, said the stakes of Vermont's inquiry into FairPoint's fitness are high – all across the region.

"We're concerned about economic development in our states," he said. "These are small, rural Northern states. Telecom infrastructure is like rural electrification was in the previous century."

MAINE -- Legislative panel questions FairPoint on systems problems

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Executives of FairPoint Communications, Inc., were grilled yesterday by the state Legislature's joint standing Utilities and Energy Committee on the discouraging start by the company in handling telecommunications business in Maine.

FairPoint took over Verizon Communications, Inc.'s landline telephone and Internet operations in northern New England last year. Since then, customers have complained about billing errors, service orders not being fulfilled quickly enough, problems accessing personal e-mail accounts, and long wait times to speak to FairPoint customer service representatives.

Complex problems emerged after the company switched over from Verizon's back-office computer systems in February, known as the "cutover," which involved transitioning from 600 Verizon systems to only 60 new FairPoint systems, a monumental undertaking for the Charlotte, N.C.-based rural phone company.

While the challenge during the next few months will be to resume normal business operations in northern New England, financial uncertainty looms. Last week, FairPoint reported a second-quarter net loss of \$17.8 million, a week after completing a private exchange offer for the outstanding 13 1/8% senior notes due in 2018.

Rep. Herbert Adams (D., District 119) raised sharp questions yesterday about when -- and how -- FairPoint will be able to start paying down the massive amount of debt assumed in the Verizon deal.

"The biggest problem is that people are fed up with being fed up," Rep. Adams said. "Fortunately, customers can get off the treadmill. There are many capable competitors in the telecommunications [market]. But what I want to know is when will FairPoint get off the treadmill. What are FairPoint's plans to muster the necessary sums that will come due... When will that sum be in hand?"

FairPoint President Peter Nixon was hesitant to speculate on short-term financial viability or the possibility of debt restructuring via bankruptcy proceedings, but said the company has submitted a business plan to bondholders and is working toward deploying broadband DSL throughout the state, which is seen as a revenue driver, especially in underserved areas of Maine.

Rep. Adams probed further, asking Mr. Nixon to provide some kind of assurance to deter customers from switching providers.

"Services would continue to be provided," Mr. Nixon said, commenting on the hypothetical situation of Chapter 11. "Trucks will roll. Phone lines will ring... Investment would continue to be made."

Taking into account the number of elderly citizens in Maine and the state's dependence on DSL, Rep. Adams said FairPoint executives should be concerned with how the public perceives the company, as one headed toward bankruptcy.

"Reorganization, while unpleasant -- and we are working to make that a minimal possibility -- is not the end of the world for regulated companies," said Michael Morrissey, vice president-government relations and general counsel for FairPoint.

While FairPoint's financials remain a top concern, much of the discussion yesterday centered on the ongoing systems problems. Rep. Kenneth Fletcher (R., District 54) wanted to know if the company has conducted an expert analysis of the "root causes" of problems.

Mr. Nixon said there has not been a "comprehensive" assessment yet, but the company is working to find out exactly where the problems are stemming from and how to fix them.

Representatives of the Maine Public Advocate's Office were on hand yesterday to try to drum up support for a proposal to hire an outside expert to scrutinize FairPoint's computer systems in Maine. Public Advocate Richard Davies has questioned whether Capgemini, the consulting and technology services firm hired to integrate FairPoint's back-office systems, has any credibility left to identify the root causes of problems.

FairPoint has already consulted with Aricent, Inc., a Palo Alto, Calif.-based communications software developer, in the hopes of fixing the chronic systems problems. Aricent came up with a list of 380 specific recommendations for improvements; to date, FairPoint has followed through on 175 of them, according to Mr. Nixon.

The Public Advocate filed his proposal with Public Utilities Commission, but no action has been taken. FairPoint is agreeable to hiring a consultant, but would prefer the firm to be able to help the company fix the actual problems, not just serve as an auditor. IBM Services, Deloitte Touche, and Price Waterhouse have been identified as possible firms, but only for discussion purposes.

"It's very urgent that we get the systems operating as quickly as possible," said Mr. Davies. "The longer the problems persist, the more people that will be adversely affected and the more people that will ultimately choose to leave FairPoint for another [provider]." Currently, FairPoint serves more than 80% of the state.

The Public Advocate's office expressed frustration to lawmakers about being denied data requests because the PUC's open FairPoint dockets (2007-67 and 2008-108) are not adjudicatory dockets. In Maine, the case is not considered an "adversary proceeding."

"We believe that is a fiction," said Deputy Public Advocate William Black. "This is one of the most important issues that have come before the PUC in years."

Utilities and Energy Committee Chairman Barry Hobbins (D., District 5) said he was disappointed no one from the PUC decided to attend the hearing, even as a member of the public. "It sounds like the [PUC] has not been as cooperative as they could be," Sen. Hobbins said.

"I don't like to tinker too much with regulators. But if they're not going to regulate, we will have to," he added.

Despite the increasing concerns of committee members, Mr. Nixon said the company has made considerable progress addressing call center, billing, and service order problems. In June, the average wait time for residential phone customers was 45 seconds, compared to about 15 minutes in March. The percentage of calls abandoned in June was 2.75%, versus 59% in March.

He attributed the improved performance to fewer calls and a better productivity level of customer service reps. In the first few months after cutover, FairPoint's call center was performing below acceptable levels because employees didn't have enough experience with handling large call volumes. (Call volumes for the last six months of 2008 averaged 151,145 a month; the call volume for March 2009 topped 350,000.) For repair calls, the average wait time in June was 1.6 minutes, compared to

8.37 minutes in March, when a quarter of the callers hung up before getting through; the percentage of hang-ups dropped to 5.5% in June.

Order flow and billing have also improved and the backlog in late pending orders has decreased, down to about 4,000 from a high of about 14,000 in April.

"This is a human change as much as it is a system change," Mr. Nixon said. "It's people... and process."

New CEO David Hauser, who took over July 1, has also shaken up his management team. Chief among his moves was appointing a 20-year industry vet to develop a specific plan with measurable milestones to resolve the company's operational problems. Vicky Weatherwax, who had been director-central operations planning for FairPoint, will now serve as vice president-business solutions.

Mr. Nixon admitted that the company needs to improve communication with regulators and lawmakers. "I believe in transparency," he said. "We'll find a way to give you more information on a timely basis."

Mr. Nixon said FairPoint is largely in "alignment" with the approach proposed by the Public Advocate. Outside consultants would have "direct, unfettered access" to the company's systems and be "hands-on."

Wednesday's session came two days after the Vermont Public Service Board opened a probe into whether to revoke FairPoint's certificate of public good in the state. - Paul Barbagallo, paul.barbagallo@wolterskluwer.com

In Vermont, regulators give FairPoint 30 days to respond to show cause petition

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Associated Press Newswires

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English

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MONTPELIER, Vt. (AP) - Vermont regulators are giving [FairPoint Communications](#) a month to make its case for continued operation in spite of lingering problems with billing, customer service and other issues.

The state Public Service Board on Monday gave FairPoint until Sept. 10 to reply formally to a petition filed last month by the state Department of Public Service.

In the petition, the Department of Public Service asked the Board for a "show cause" investigation to determine if the North Carolina telephone company -- which last year took over Verizon's land lines in Vermont, Maine and New Hampshire -- can recover from operations problems and financial difficulties enough to maintain its state certification.

The Two Sides of Verizon's Deal Making By DENNIS K. BERMAN

Wall Street Journal August 10, 2009

[Verizon Communications](#) Inc. boss Ivan Seidenberg may be one of the best deal makers of his time, or one of the worst.

Today, three of Verizon's most significant divestitures are either in bankruptcy or near it. As they say on Wall Street, it all depends on what side of the trade you're on.

HERO OR VILLAIN? Verizon CEO Ivan Seidenberg at a 2008 conference.

Verizon's former yellow-pages unit, which goes by the ungainly name of [Idearc](#), sought court refuge from creditors in May; Verizon's former Hawaiian telecom franchise, purchased by Carlyle Group, filed for bankruptcy in December, and [FairPoint Communications](#), which absorbed landlines from Verizon in a complicated divestment, is close to going under, the company said in a July securities filing. In all, these companies have lost upward of \$13 billion in value and counting.

This should make Mr. Seidenberg a hero to Verizon investors. Not only did he bail out of the assets at the right moment, he extracted prices that literally sucked the life out of the buyers.

If only it were that simple. In the case of Idearc and FairPoint, their buyers happened to include Verizon shareholders themselves. They received controlling interests in the newly formed companies.

That is a good thing for those who sold out early. Those who didn't are now sitting on Idearc and FairPoint stock trading at three cents and 54 cents a share, down from around \$28 and \$10, respectively, when the spinoffs began.

How did Idearc go from birth to bankruptcy in under 900 days? Back in 2006, private-equity firms were scrambling to buy directories companies, reasoning that their steady cash flows could support very high levels of debt.

Verizon's tax-free spinoff was in essence a do-it-yourself leveraged buyout, with the company's own shareholders the buyers of a highly indebted company, eagerly financed by banks and high-yield bond buyers. Verizon was taking what the market gave it.

It took too much. The incursions of Internet advertising and the decaying U.S. economy soon overwhelmed Idearc, whose revenue fell nearly 9% over the past year. Once worth \$5 billion in equity and \$9.2 billion in debt, its bankruptcy advisers now peg its value at around \$3 billion.

"It was a victim of a time when people's perception of risk and reward were shaped by the environment," said one person who worked on the original transaction.

Verizon officials say they are proud of their deals. "These asset sales made sense for the acquiring companies at the time they were bought and have proven to add significant value for Verizon shareholders since then," said Verizon spokesman Peter Thonis.

There are nonetheless consequences for a deal-making machine like Verizon -- with at least 18 transactions in the past seven years -- to leave a string of busted companies in its wake.

These things matter greatly to how state and federal regulators perceive the company. Maine, New Hampshire, Vermont and Hawaii each are in an uproar over the Fairpoint divestiture, with much of the ire directed at Verizon. "It was a great deal for Verizon," said New Hampshire's public consumer advocate, Meredith Hatfield. "Whether it was a great deal for New Hampshire consumers is a different question."

It matters to market perceptions, too. "Could you be the next FairPoint?" barked CNBC's Jim Cramer in an interview with the chief executive of [Frontier Communications](#) Inc., which bought five million rural landlines from Verizon in May.

But perhaps being a true deal maker means not obsessing about past deals. Mr. Seidenberg is today focused on Verizon's fiber-optic service FiOS, which was funded in part by the three busted divestitures. He hasn't uttered the word "Idearc" in public in two and a half years.

FairPoint Communications posts 2Q loss of \$17.8M

August 5, 2009

CHARLOTTE, N.C. — FairPoint Communications Inc. said Wednesday it posted a second-quarter loss as the provider of local and long-distance phone and Internet services recorded lower sales and hefty debt restructuring costs.

For the quarter ended June 30, the Charlotte, N.C.-based company posted a loss of \$17.8 million, or a loss of 20 cents per share, compared with \$23.1 million, or 26 cents per share, a year ago. When adjusted, earnings totaled \$99.9 million in the most recent quarter amid lower revenue, higher operating expenses, higher bad debt expenses and costs for an exchange offer for nearly 83 percent of outstanding senior notes.

Revenue declined 4 percent to \$299.6 million from \$133.9 million, as access lines declined 3 percent.

The company owns and operates local exchange companies nationwide that offer Internet, television, local and long distance voice services, among others. FairPoint took over northern New England phone systems from Verizon last winter, and officials have appeared before Maine's and New Hampshire's public utilities commissions to discuss ongoing issues with FairPoint's delivery of land line telephone and broadband Internet service.

"The issues experienced with the systems cutover are continuing to improve and most of them are behind us," said David Hauser, FairPoint chairman and CEO, in a statement. "Going forward, we will be focusing on three primary areas: improving customer service, growing business and broadband revenue and reducing costs."

The company warned that the reduction in its interest expenses following the debt swap offer, may not be sufficient to keep FairPoint from breaching certain lender requirements for the quarter ending Sept. 30. FairPoint also said it may exceed its debt-to-equity ratio in the current quarter. The company is in talks with its bondholders regarding a more comprehensive and permanent restructuring of its debt obligations.

Shares retreated 10 cents, or 14 percent, to 61 cents in late trading, after rising 12 cents, or 20.3 percent, to close the regular session at 71 cents.

Sun Journal

Keep the pressure on FairPoint

Published: Aug 05, 2009 - By Editorial Board

FairPoint Communications has trouble. The company has assumed a tremendous amount of debt, undertaken the largest telecommunications system transition in the U.S., and has been battered by the recession. Still, this doesn't exempt the company from meeting its obligations. The company must be held accountable for its errors and missteps, like what occurred before the Maine Public Utilities Commission last week, when the panel declined to waive \$845,000 in penalties for recurring service problems. The company's performance so far hasn't earned it leniency.

Northern New England states must continue to pressure FairPoint to perform and fulfill its promises of service, broadband Internet expansion and competitive prices for consumers. That's easier said than done, nowadays. Over the past 18 months, banks and automakers have teetered under the weight of their debts, only to be stabilized by government dollars. And these were largely unregulated industries, far freer to maneuver in the markets than any public utility. Government oversight of utilities is natural, which could lead to the natural reaction of government trying to direct management of a utility that's faltering — like FairPoint. This is understandable; the government's ultimate responsibility is to the customer, and if the utility falls apart, the customers would go unserved.

Yet FairPoint doesn't need more help repairing its service in Northern New England. The company needs to fix what's broken, and fast; not be slowed by bureaucratic demands, such as hiring an independent consultant to check its work, which is the recommendation of the Maine public advocate. A second opinion, though, doesn't seem necessary.

The diagnosis and prognosis for FairPoint is apparent. It knows better than anyone what is and isn't working with its systems in Maine, Vermont and New Hampshire. What FairPoint needs are swift, improving results, not further appraisals of its myriad challenges.

The state, or its regulatory agencies, or its lawmakers ([hearings on FairPoint convene in Augusta](#) before the Legislature's Utilities Committee on Aug. 12) must resist trying to micro-manage FairPoint. This won't help the company. And, the public has likely had its fill of government intervention into struggling corporations.

State regulators and lawmakers are acting right in taking hard-line stances on FairPoint's performance. Accountability for public utilities is crucial; their overseers must do everything possible to ensure utilities fulfill their public responsibility. Keep the pressure on them.

But remember: The only entity that can really fix FairPoint right now is FairPoint.

MAINE -- Legislative panel wants answers from FairPoint on systems problems

3 August 2009

TR's State NewsWire

trsn

English

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Days after being ordered by the Public Utilities Commission to pay more than \$400,000 in penalties for poor service to CLECs in Maine, FairPoint Communications, Inc., was told it will have to appear before a legislative panel to explain why it's still struggling to resume normal business operations in northern New England.

The joint standing Committee on Utilities and Energy will hold the hearing on Aug. 12. No time has been set aside yet for public testimony, though lawmakers are acutely aware of the frustrations felt by phone customers across the state.

Last year, FairPoint bought Verizon's landline telephone and Internet operations in Maine, New Hampshire, and Vermont for \$2.3 billion. Since the company switched over from Verizon's back-office computer systems in January, known as the "cutover," customers have complained about billing errors, service orders not being fulfilled quickly enough, problems accessing personal e-mail accounts, and long wait times to speak to FairPoint customer service representatives.

In calling for the hearing, Utilities and Energy Committee Chairman Barry Hobbins (D., District 5) said the "time has come" for lawmakers to be proactive in dealing with the problem.

"The committee is not interested in who is to blame, only to figure out how best to move past these problems so Mainers will have access to a first-rate landline phone system and broadband Internet service," Sen. Hobbins said in a statement Friday.

Despite the increasing concerns from regulators and state consumer advocates, FairPoint officials say they have made considerable progress addressing call center, billing, and service order problems. According to a recent report by the company, in June, the average wait time for residential phone customers was 45 seconds, compared to about 15 minutes in March. The percentage of calls abandoned in June was 2.75%, versus 59% in March.

FairPoint attributed the improved performance to fewer calls and a better productivity level of customer service reps. In the first few months after cutover, FairPoint's call center was performing below acceptable levels because employees didn't have enough experience with handling large call volumes. (Call volumes for the last six months of 2008 averaged 151,145 a month; the call volume for March 2009 topped 350,000.)

For repair calls, the average wait time in June was 1.6 minutes, compared to 8.37 minutes in March, when a quarter of the callers hung up before getting through; the percentage of hang-ups dropped to 5.5% in June, according to FairPoint's report.

Order flow and billing have also improved and the backlog in late pending orders has decreased, down to about 4,000 from a high of about 14,000 in April.

But Sen. Hobbins said customers in Maine continue to experience "persistent problems" with their service.

Gov. John Elias Baldacci (D.) was quick to support the Legislature's decision to hold a hearing. "It's been a difficult transition and Gov. Baldacci feels that there needs to be checks and balances in place because FairPoint's business directly impacts people and businesses throughout the state of Maine," said Dan Cashman, the governor's assistant press secretary.

Jeff Nevins, a spokesman for FairPoint, said the company has no objections either. "We all want to end up in the same place, and that's getting the systems fixed so they do the things they're supposed to do: serving the customer. We've been very open and transparent in terms of the way we have operated and provided information about our systems problems," Mr. Nevins told TR's State NewsWire Friday.

Maine Public Advocate Richard Davies has proposed hiring an outside expert to scrutinize FairPoint's computer systems in northern New England. Mr. Davies has questioned whether Capgemini, the consulting and technology services firm hired to integrate FairPoint's back-office systems, has any credibility left to identify the root causes of the company's problems.

Mr. Nevins said FairPoint is willing to discuss the possibility of contracting with a new third-party firm, but noted that such a firm should be "hands-on," and able to come in and actually fix problems, not just make assessments.

IBM Services, Deloitte Touche, and Price Waterhouse have been identified by the Public Advocate's office as possible firms, but only for discussion purposes.

"We would hope that [lawmakers] come out of that hearing with a better understanding of where we are on our progress," Mr. Nevins said. "We want to clarify for everyone that we've made some significant progress. There are still some areas where we need to fix things, but we would hope that everybody could come away with an agreement with what the path forward is."

He added: "The more information they have, the better." - Paul Barbagallo,
paul.barbagallo@wolterskluwer.com

FairPoint pledges to comply with NYSE standards

By DENIS PAISTE

New Hampshire Union Leader Staff

[Saturday, Aug. 1, 2009](#)

MANCHESTER – FairPoint Communications Inc. is out of compliance with New York Stock Exchange listing standards but plans to comply through debt restructuring and business growth in northern New England the company said this week.

Charlotte, N.C.-based FairPoint said the NYSE notified it that its 30-day average market capitalization had fallen below the exchange's \$75 minimum.

The company could be de-listed if fails to submit an acceptable business plan for regaining compliance within 45 days.

FairPoint shares closed yesterday at 59 cents per share. Last year, FairPoint shares closed on July 31 at \$6.94 per share.

<http://www.unionleader.com/article.aspx?headline=FairPoint+pledges+to+comply+with+NYSE+standards&articleId=3672a38b-2b64-4ea6-95c8-e82ab3e98141>

FairPoint's problems continue

By Eric Parry

eparry@eagletribune.com

CONCORD — After two full days of hearings, FairPoint Communications executives still don't have a plan to fix all their service problems, according to the state Office of Consumer Advocate.

Consumer advocate Meredith Hatfield said yesterday's all-day technical session between the state Public Utilities Commission and FairPoint executives revealed the troubled telecommunications company is still struggling to offer the same level of service it provided before switching to a new computer system in February.

"They're working toward this intermediate step called business as usual," Hatfield said. "That doesn't get them to where they need to be."

FairPoint purchased telephone and Internet service from Verizon in New Hampshire, Maine and Vermont last year. It switched to a new computer system in February and customers have experienced customer service, billing and service problems ever since.

Yesterday's hearing was the second full day this week that FairPoint executives were grilled by wholesale customers, Hatfield and Public Utilities Commission staff.

Hatfield said she learned during the hearings there has been a lot of off-the-record work between state regulators and FairPoint. The two parties engage in weekly conversations that — up until now — have been private.

"We think that needs to end," Hatfield said. SCIB FairPoint officials released a report earlier this month saying they have resolved some of the problems that have plagued them for months. But Hatfield's office and Public Utilities Commission staff have disputed the company's progress.

Yesterday, FairPoint President Peter Nixon said the company has improved its billing with wholesale customers, but is still not at pre-cutover levels. But some of those wholesale customers said they are still regularly experiencing problems.

To resolve issues, wholesale customers said they have contacted FairPoint's customer service department repeatedly.

FairPoint said it has reorganized its customer service center to better help its wholesale customers. But some of those customers questioned how their problems would be resolved any faster if they have to speak with multiple representatives rather than just one.

Four days ago, the state consumer advocate had 190 pending complaints against FairPoint. Two of the most common complaints are customers looking for new phone lines and customers continuing to receive bills after their service was discontinued. SCIB FairPoint executives said they hope to resolve at least six complaints today that are two months old. SCIB When FairPoint is operating at business-as-usual status, officials said they would ideally be able to resolve consumer complaints within 24 hours, but executives said they didn't know when that would happen. SCIBA transcript of the technical session will be made public in two weeks and the Public Utilities Commission staff is expected to make recommendations to state regulators in a report in late August.

http://www.eagletribune.com/punewsnh/local_story_212002310.html

NH Consumer Advocate: FairPoint has no plan

July 31, 2009

CONCORD, N.H.—New Hampshire's consumer advocate representative says after two days of hearings,

FairPoint Communications executives still don't have a plan to fix all their service problems.

Meredith Hatfield tells the Eagle-Tribune that a technical session between the state Public Utilities Commission and FairPoint on Thursday revealed the troubled telecommunications company is still struggling to offer the same level of service it provided before switching to a new computer system in February.

FairPoint bought telephone and Internet service from Verizon in New Hampshire, Maine and Vermont last year. It switched to a new computer system in February and customers have experienced customer service, billing and service problems ever since.

FairPoint President Peter Nixon said the company has improved its billing with wholesale customers, but is still not at pre-cutover levels.

http://www.boston.com/news/local/maine/articles/2009/07/31/nh_consumer_advocate_fairpoint_has_no_plan/

FairPoint team assigned to billing

By DENIS PAISTE

New Hampshire Union Leader Staff

[Friday, Jul. 31, 2009](#)

CONCORD – Two to four times as many as customers are complaining to the Public Utilities Commission about FairPoint Communications Inc.'s service than before it took over full operational control of former Verizon landlines, according to testimony yesterday.

State PUC staff attorney Robert Hunt said that, as of three days ago, there were 190 "escalations," as complaints which reach the PUC are known.

"People who are in that category are looking for basic things to be resolved," Hunt said. He said reported problems include customers getting billed by FairPoint several months after terminating service from the company.

However, FairPoint President Peter Nixon said there were, as of yesterday, only 130 escalations.

The statements came in a technical session called for by New Hampshire Public Utilities Commission staff on FairPoint's Stabilization Status Report submitted to the commission earlier this month.

Nixon said FairPoint assigned an escalation team to resolve the issues, which primarily relate to billing.

"What is happening to address these specific people, who I can tell you when they call are very upset and want something done?" Hunt asked.

"I do know there are cases where people have disconnected and continued to be billed," Nixon said.

"Our effort right now is to drive those to zero," he said. "I would expect that by tomorrow we will be down to no more escalations that pre-date June"

Nixon said there were normally 50 before FairPoint cut over to its own systems from Verizon's on Jan. 30. He said most complaints involve bills.

"We believe it's somewhere about 50 escalations at any one time," Nixon said.

"That's, in my mind, 50 too many."

Jeff Allen, executive vice president of northern New England for FairPoint, estimated the usual number of escalations across New Hampshire, Maine and Vermont at 150, based on a specific number, 50, provided by Vermont.

"We made the assumption that it would be similar in the other states," he said.

Those figures came under criticism in New Hampshire and Maine as too high. "I don't know what the specific number would be, but I think ... it would probably be in the 10 to 25 range," Allen said.

"What we put in the report ... was accurate at the time."

FairPoint has processed more than 409,000 orders on its systems, the company said.

Besides Nixon and Allen, the panel consisted of Mike Haga, a vice president in information technology; Richard Murtha, a vice president in business wholesale customer care; and Bryan Lamphere, implementation manager.

Yesterday's session was a continuation from Tuesday, when FairPoint told the PUC it had reduced the number of late orders to less than half of what they were before the cutover.

Nixon, Allen, Murtha and Lamphere also attended Tuesday's session, which was requested by the PUC's staff, on the same day other FairPoint officials appeared before Maine regulators and learned that the Maine PUC would not waive more than \$845,000 in penalties for problems delivering wholesale service to smaller telecommunications companies.

Also on Tuesday, Nixon told the New Hampshire PUC the company believes "most aspects of our business have returned to normal levels, from a customer perspective."

<http://www.unionleader.com/article.aspx?articleId=fa81b01a-6df8-4a3e-82b6-bde1172b67fb&headline=FairPoint%20team%20assigned%20to%20billing>

Panel to hold FairPoint's 'feet to the fire' Aug. 12

Hearing to seek answers for service complaints

[By Mal Leary](#)

Capitol News Service

AUGUSTA, Maine — A legislative panel will hold a hearing next month to discuss the problems Maine businesses and individuals have had as a result of FairPoint's acquisition of Verizon landline and Internet business in the state.

"I am very, very concerned about the slowness with which the computer issues and the consumer complaints from both the businesses and from residences has been handled," Senate President Elizabeth Mitchell, D-Vassalboro, said Thursday. "I know that FairPoint has been trying, but the public deserves some answers."

She said lawmakers have heard a lot of complaints since FairPoint took over from Verizon earlier this year and that the Legislature's Utilities and Energy Committee has decided to hold a hearing on Aug. 12 to address the matter.

Sen. Barry Hobbins, D-Saco, the co-chairman of the panel, said the committee will invite the public advocate and FairPoint officials to attend the hearing and update the panel. While all such hearings are open to the public, no time has yet been set aside for public testimony at the Aug. 12 hearing. That may occur at a separate committee meeting in the future, according to Hobbins.

"I think you have got to hold their feet to the fire," said Gov. John Baldacci of FairPoint officials. "I think it is a good idea [lawmakers] are holding a hearing. When they are affecting businesses and residential customers in Maine, that is impacting us because that is business not happening in Maine or being delayed in Maine."

The governor said it is not good enough for the company to say it is addressing the problems; the problems need to be solved.

"We need to make sure they are running on all cylinders," Baldacci said.

North Carolina-based FairPoint bought Verizon's landline telephone and Internet business last year for \$2.3 billion, which includes operations in Maine, New Hampshire and Vermont.

Some customers continue to report having to wait weeks for their service orders to be completed, both for phone and Internet services. Other customers who have discontinued their FairPoint service complain they still are being billed.

The Public Utilities Commission has also heard from several small telecommunications companies in the state that rely on FairPoint's infrastructure. They have told regulators that FairPoint's problems are costing them business and that the problems are continuing.

FairPoint is also being hurt financially by its inability to properly handle its business operations. The PUC earlier this week refused to let the company off the hook and imposed penalties for not providing service in a timely manner to the independent telecommunications companies.

FairPoint officials argued to the PUC that the company's problems stem from the unprecedented complexity of transitioning more than 600 systems used by Verizon to handle business and network operations to FairPoint's 60 systems and networks. While admitting bugs still exist in those systems, FairPoint officials say the company is making progress, but PUC rejected the company's arguments that it has done all it can to address the problems.

"I agree with what the PUC has done," Baldacci said. "The public wants us to make sure all of the accountability and transparency is there."

Both he and Mitchell also support the public advocate's request to have a third party study and review the company's "back office" computer systems. FairPoint has acknowledged that those systems are a major source of the problems in both its residential and wholesale businesses.

Company officials have opposed the independent review sought by the public advocate. Spokesman Jeff Nevins said Thursday that FairPoint believes progress is being made and resources would be best used in fixing the remainder of the problems rather than hiring an independent consultant.

"We have made significant progress correcting some of the problems we had," he said. "For many of our customers, it is business as usual. Now, having said that, there are some areas where we still have problems."

Nevins said FairPoint has always responded to requests by regulators and lawmakers to provide information on the company and its operations.

"We want to make sure people understand that we are making progress," he said. "We are more than willing to sit down and talk with people and explain what is going on."

Hobbins said the Utilities and Energy Committee hearing on FairPoint on Aug. 12 will begin after the panel completes unrelated confirmation hearings.

"I think the committee will have a lot of questions," Hobbins said.

Nevins said FairPoint will have officials at the hearing to answer those questions.

<http://www.bangordailynews.com/detail/111871.html>

FairPoint faces possible delisting

The New York Stock Exchange has notified [FairPoint Communications Inc.](#) that the company is not in compliance with continued listing standards.

The exchange advised FairPoint that its average market capitalization over a 30-day trading period was less than the required \$75 million.

FairPoint says it intends to submit a plan to the NYSE that will enable it to regain compliance via a restructuring of its capital structure and growth initiatives in its New England markets.

The Charlotte-based telecommunications company (NYSE:FRP) has 45 days to submit the plan. If the exchange accepts it, FairPoint will be subject to quarterly monitoring for compliance.

Otherwise, the company will be delisted by the Securities and Exchange Commission.

<http://www.bizjournals.com/charlotte/stories/2009/07/27/daily42.html>

Fitch Downgrades FairPoint Communications' IDR to 'RD'; Rates New Capital Structure

CHICAGO--([BUSINESS WIRE](#))--Fitch Ratings has downgraded FairPoint Communications, Inc. (FairPoint) as follows:

--Issuer Default Rating (IDR) to 'RD' from 'C'.

Fitch's downgrade reflects the company's July 30, 2009 announcement of the successful consummation of a private exchange offer of approximately \$458 million of 13.25% senior notes due April 2, 2018 (New Notes) for approximately \$440 million, or approximately 83%, of its 13.125% senior notes due April 1, 2018 (Old Notes), of which there was approximately \$531.1 million outstanding. In Fitch's view, the exchange has elements of a coercive debt exchange under Fitch's policy. Under the policy, the IDR is being downgraded to 'RD' before the rating is raised to reflect the company's prospects.

Subsequently, Fitch has taken the following actions:

--IDR upgraded to 'C' from 'RD';

--13.125% senior unsecured notes due April 2, 2018 (New Notes) rated 'C/RR4';

--13.125% senior unsecured notes due April 1, 2018 (Old Notes) affirmed at 'C/RR4';

--Senior secured revolving credit facility affirmed at 'B-/RR1';

--Senior secured term loan due 2014 affirmed at 'B-/RR1';

--Senior secured term loan due 2015 affirmed at 'B-/RR1';

--Senior secured delayed draw term loan due 2015 affirmed at 'B-/RR1'.

FairPoint's 'C' IDR reflects continued uncertainty regarding the company's near-term prospects. FairPoint had previously disclosed in the May 2009 release of its first quarter 2009 earnings that the weak economy, difficulties related to its systems cutover, and incremental costs to operate the business following cutover may jeopardize its ability to execute on its business plan.

On March 31, 2009, FairPoint's cash balance amounted to approximately \$92.5 million, and its restricted cash balance was \$55.2 million. The cash balance includes proceeds drawn from FairPoint's \$170 million credit facility to preserve capital availability; \$4.7 million remains available. FairPoint has no major maturities in 2009, although Fitch estimates approximately \$33 million will be due under the amortization of its credit facility during the remainder of the year. The revolving credit facility and term loan A mature in March 2014.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

http://www.businesswire.com/portal/site/google/?ndmViewId=news_view&newsId=20090731005680&newsLang=en

FairPoint ordered to pay \$400,000 in penalties

AUGUSTA -- Utility regulators Tuesday ordered FairPoint Communications to pay more than \$400,000 it owes in penalties for failing to provide adequate service to local carriers.

But the Public Utilities Commission also extended a deadline allowing FairPoint to reapply for a waiver that prevents it from paying an additional \$1 million in penalties.

"We are obviously disappointed," FairPoint spokesman Jeff Nevins said. "We'll figure out where we go from here."

FairPoint has struggled to restore normal service since taking over Verizon's landline network in February. There have been widespread and ongoing service problems for retail customers and competitive local exchange carriers -- companies that purchase FairPoint services wholesale to provide their own telecommunications packages.

FairPoint, which acknowledges it did not meet performance standards, last month petitioned the PUC to waive \$1 million in penalties it owes to local carriers.

FairPoint estimates it owes \$2.8 million to local phone companies across northern New England for substandard network service from February through June. But it argued in its petition that the waiver of \$1 million in penalties was justified due to the "extraordinary and unprecedented" challenges it faced when it took over for Verizon.

"FairPoint is disappointed as any other stakeholder by the unexpected disruptions that the cutover from Verizon to FairPoint systems has entailed," officials wrote in the petition. "However, the commission should not lose sight of the ultimate expectation, shared by most, that the transition of Verizon's wireline business to FairPoint will result in significant benefits to all customers.

"By waiving or modifying the (penalties) and permitting FairPoint to direct those funds to other uses, the commission will help ensure that those benefits arrive as soon as possible."

The company's agreement with the PUC allows commissioners to waive the penalties only under specific events -- such as a natural disaster or strike.

FairPoint's inability to meet performance standards the company agreed to is not an extraordinary event, said Commissioner Vendean Vafiades. "They argue that, despite all their efforts to prepare, the cutover was an extraordinary event," Vafiades said. "If you follow that logic, the extraordinary event continues to occur. I don't know when the extraordinary event will end."

Commissioner Jack Cashman was more sympathetic to FairPoint's plight, saying the company had to create 60 systems necessary to provide service to 1.5 million lines -- a process he said could be seen as an extraordinary event, Cashman said.

"I think that's a significant undertaking," he said.

Cashman agreed with other commissioners that FairPoint had not provided enough information to know if the problems were beyond the company's control. To find out, Cashman supported the Maine Public Advocate's request to hire an independent expert to scrutinize FairPoint's systems.

"I think third-party oversight is a good idea," Cashman said. "I guess I'm not prepared to grant a waiver because I don't have enough information to do it."

But Vafiades, who expressed anger at FairPoint's decision to discontinuing paying the penalty without commissioners' approval, said FairPoint was responsible for making its best argument.

"We might say we don't have the information, but they didn't provide the information," Vafiades said.

Commissioners ultimately agreed to impose the penalties for February and March because the waiver request was not filed within required the 45-day window. The decision will cost FairPoint about \$400,000.

Commissioners also agreed to extend the deadline for filing a waiver request for the April-through-June period. The company has until mid-August to reapply with more information.

Nevins said the company shares a common goal with commissioners and customers. "Our first focus is on our systems," he said. "We've got to get our systems fixed."

<http://kennebecjournal.maintoday.com/news/local/6664206.html>

FairPoint statistics off base
Executives grilled on report's veracity

By Chelsea Conaboy

Monitor staff

July 29, 2009

Tracking the progress of FairPoint Communications has been no easy task for state regulators and consumer advocates. That became clear yesterday during a technical session in which company executives told New Hampshire officials they had given them misleading statistics on the company's performance.

FairPoint purchased Verizon's landline network in New Hampshire, Maine and Vermont last year for \$2.4 billion and took over operations at the end of January. The takeover has prompted an unprecedented number of complaints from customers in the three states, and the company is struggling financially.

FairPoint submitted a status report last month that said many aspects of the business had been returned to levels comparable to those before the switch from Verizon. But New Hampshire Consumer Advocate Meredith Hatfield and the staff of lawyers and analysts who support the state Public Utilities Commission were skeptical of that report. During yesterday's meeting, they prodded five company leaders for information on how they track their own progress, who is in charge of certain aspects of their recovery, and what their plan is for improving service to both retail customers and wholesale customers - competitors who lease parts of FairPoint's networks.

On Monday, eight wholesale or business customers lost service during business hours because of a problem processing "migration orders," requests to move from one telephone provider to another.

Rich Murtha, vice president of business and wholesale operations for FairPoint, said during the morning session that the information technology team was working to fix the problem, which Kate Bailey, director of the PUC telecommunications division, called "business-crippling."

Murtha said orders were being handled manually while the problem with the computers was being fixed.

"We should not be taking any more customers out of . . . service," he said. But Murtha returned to the afternoon session to say more customers had lost service because of migration orders that morning. Again, he said, the problem was being addressed.

State officials looked exasperated later in the day when they questioned the executives about the performance of their computer systems. Some orders for new or changed service are designed to flow through the computer systems without human intervention.

In a July 8 status report, the company said 97 percent of changes to retail phone lines were flowing through the system properly, which was more than the 90 percent objective the company had promised to meet by the end of June. The report said retail internet orders were flowing through at 84 percent.

But yesterday, Executive Vice President Jeff Allen said those numbers aren't exactly accurate. He said that the retail phone flow-through is closer to the low 80s and that internet is in the high 60s.

Members of the consumer advocate's office asked for documentation of the actual numbers for all categories of orders and questioned why they weren't provided that information beforehand.

"It's not helpful for us to have four different flow-through numbers with different dates," Hatfield said.

After the technical session, Hatfield said micromanaging FairPoint is a strain on state resources.

"You just want them to run the business within the framework (laid out in regulations) and do it the best way possible," she said. "The problem is FairPoint's not doing that. . . . It requires regulators to go to this level."

The company has improved service at most of its call centers and reduced billing errors. A series of three system glitches at the end of June slowed things down, but overall the company has reported improved customer service.

The technical session will continue tomorrow morning. New Hampshire's three commissioners were not present yesterday. The various parties will make a recommendation to them for further action later this month

<http://concordmonitor.com/apps/pbcs.dll/article?AID=/20090729/FRONTPAGE/907290323&Template=printart>

Advocate wants FairPoint systems audit

Submitted by Tux Turkel

Frustrated by the failure of FairPoint Communications to restore normal telephone service in the state, Maine's Public Advocate is asking utility regulators to hire an independent expert to scrutinize FairPoint's troubled back-office computer systems.

In a filing today at the Maine Public Utilities Commission, the office said it believes FairPoint's inability to restore "business as usual" service levels is directly tied to ongoing problems with its new and complex computer systems.

FairPoint replaced and consolidated Verizon's aging systems when it took over landline and Internet operations in northern New England six months ago. But the new software hasn't performed as expected, losing work orders, for instance, or requiring time-consuming and costly manual intervention.

FairPoint said the independent review is unnecessary and that it had hired its own consultant to troubleshoot and fix the computer problems.

<http://updates.mainetoday.com/updates/advocate-wants-fairpoint-systems-audit>

State regulators get few answers from FairPoint

[By Kevin Miller](#)

BDN Staff

AUGUSTA, Maine — State regulators pressed FairPoint Communications officials on Thursday to explain why they have failed to make more progress fixing the technical glitches and customer service problems that have beset the company for months.

But while questioning from the Public Utilities Commission was at times pointed, it was not aggressive enough for representatives of Maine's Public Advocate's Office who continue to hear from exasperated customers.

"Nothing happened today that pointed to when these problems were going to end," said William Black, deputy public advocate.

FairPoint executives said again Thursday that the company has made considerable progress addressing call center, billing and service order problems. But they acknowledged that serious issues persist and in some cases have flared back up in recent weeks due to system instability, weather and other factors.

Company officials said they hope the business and call centers will be operating normally by the end of August. Fixing some of the other problems, such as the data gaps that are delaying service orders, could take longer.

"In every area, we have made progress and in every area we have more to do," Executive Vice President Jeff Allen told members of the PUC during a briefing. Yet commissioners expressed frustration that they were still hearing many of the same explanations in mid-July for problems they discussed with FairPoint officials in April.

"We've had the same conversation for months, with different variations on the same theme," Commissioner Vendean Vafiades said after one exchange.

North Carolina-based FairPoint bought Verizon's land-line telephone and Internet business last year for \$2.3 billion. But the switch-over from Verizon for FairPoint has been anything but smooth.

Some customers continue to report having to wait weeks for their service orders to be completed. Other customers who left FairPoint complain they still are being billed.

Last month, company officials warned that it might be forced to seek bankruptcy protection unless creditors allow it to delay payments and restructure its debts. Earlier this week, Vermont's consumer protection division asked regulators to investigate whether FairPoint should be allowed to keep its license to operate as a regulated utility.

Now, some of the smaller, rival telecommunications companies in Maine — many of which lease FairPoint's infrastructure — say the company's problems are dragging down their businesses, too.

On Tuesday, Nicholas Winchester with Mid Maine Communications wrote in a letter to the PUC that FairPoint is either intentionally underreporting problems or is simply unable to meet its obligations in the wholesale business.

Additionally, Winchester wrote that employees at Mid Maine and CRC Communications of Maine have put in thousands of additional hours addressing the problems rooted in FairPoint's system. The key, he said, is FairPoint taking the time to fix the back-office problems that are causing system instability.

“Maine consumers and businesses deserve a vibrant telecommunications industry,” Winchester wrote. “Maine's economy cannot afford to be held hostage by the continuing problems plaguing FairPoint's retail and wholesale services.”

Mid Maine and the other telecommunications companies were not given time to address the PUC on Thursday. Commission staff said those companies and the public will likely get a chance to address the PUC in the near future.

But when asked about Winchester's charge that FairPoint may be underreporting problems, a FairPoint executive disagreed, saying that was only Winchester's perception.

FairPoint wasn't the only company taking heat on Thursday, however.

Commissioners repeatedly questioned FairPoint officials about whether the firm Capgemini was doing enough to improve the stability of the back-office computer and network systems. Capgemini, a worldwide consulting and technology services firm, was hired to integrate the back-office systems.

“Sitting here, it seems to me that Capgemini has been responsible to a great deal for the failings,” said Commissioner Jack Cashman.

FairPoint officials said Capgemini staff continue to work with the company, but added that the issues are sometimes with the other vendors that supplied software or pieces of the network.

In a letter filed Thursday with the PUC, the Maine Public Advocate's Office called on the commission to investigate the extent to which Capgemini's back-office computer systems are causing the problems.

In the same letter, the advocate's office unsuccessfully petitioned the commission to allow customers' representatives to address the gathering. Speaking afterward, consumer advocates said they were surprised and disappointed that the commissioners didn't express more frustration and urgency.

“The commission asked a lot of questions, but they didn’t get to the real issues ... identifying the problems within FairPoint’s back-office systems,” Black said.

<http://www.bangordailynews.com/detail/110880.html>

Vermont Advocate Slams FairPoint; New Hampshire to Review Performance

Communications Daily, July 16, 2009

FairPoint Communications is having "persistent problems" delivering telecom service of good quality, the Vermont Department of Public Service said Tuesday. The department was responding to a July 8 report by FairPoint on its efforts to return to business as usual in Maine, Vermont and New Hampshire after data base and other problems that began when the company cut over networks from the old Verizon systems to new software.

An assessment of FairPoint's report on progress on its stabilization plan by contractor Liberty Consulting Group was downbeat. Liberty's analysis has led the New Hampshire utility commission staff to bear down on FairPoint as well.

In a show-cause petition filed Tuesday, the Public Service Department asked the Public Service Board to decide whether FairPoint is able to keep providing telecom service in Vermont. The advocate wants the board to determine whether FairPoint "is capable of recovering from its current situation and continuing to conduct business in the state," it said.

At stake is FairPoint's state Certificate of Public Good -- the company's license to do business in Vermont, one of the three New England states where a \$2.8 billion deal with Verizon bought FairPoint a foothold.

The board has set an Aug. 10 status conference on the petition, "but we hope that it will grant our petition before then," department representative Stephen Wark told us. Wark said he had not heard whether Maine or New Hampshire might take steps similar to Vermont's.

The July 8 FairPoint report covered call centers, order flow, service order backlogs, billing and customer escalations to the regulatory staff. The report ended on an upbeat note, with the company saying its results "clearly show significant improvement for all the operating areas of the business since March. ... Our systems performance has seen major improvements since March, and has been a significant contributor to the progress we have made. There is, however, more that needs to be done in this area. The improved performance of our systems will be a major priority of the company."

Liberty's assessment of the company's analysis included praise but was glum overall. "Liberty is surprised that so many issues with the stability and functioning of FairPoint's systems continue to appear more than five months after cutover," the consultant said. "Until these are resolved, it is uncertain when FairPoint will be able to fully return to normal operations."

Liberty, which is working for all three states, said FairPoint needs to put more emphasis on stabilizing system response times and availability, identifying and resolving systems

defects, improving testing to keep new defects from being introduced by software upgrades, and improving systems flow-through.

The state consumer advocate didn't have to file its show-cause petition, said FairPoint representative Beth Fastiggi. "Our goals are very much the same at the Department of Public Service, which are to serve the best interests of the citizens of Vermont," she told us by e-mail. "We believe that the best way to address the systems issues we are facing is to continue operating, continue working on the systems issues and continue working toward returning the company to normal operating conditions. ... There has been significant progress on all fronts and many of the key business processes have already returned to normalized levels."

FairPoint said recently that the 2008 acquisition of networks in New England burdened it with debt that has grown heavier in a sagging economy. To get state authorities to approve the sale, the company promised to maintain Verizon's service quality while improving reliability and further building out broadband. The company isn't coming through on those promises, the Vermont advocate said. "Since the transaction, FairPoint has been unable to effectively manage the operations in any of the three states, resulting in tremendous problems for residential and business consumers," the department said.

"Today's petition by the department is a necessary step to protect the interests of Vermonters," Wark said in a release. "Our objective is clear — to ensure FairPoint honors its commitments to Vermont consumers. We are not willing to take a wait and see approach. We have given FairPoint an opportunity to improve and it just hasn't done enough."

In results contained in latest report to the states, which FairPoint had predicted would show how much its service had improved, the company fell down, the advocate said. The periodic reports are a result of the March 31 stabilization plan.

FairPoint's most recent report "was supposed to accurately summarize its situation, and provide a plan for remediation," the department said. "The report did neither." The company's analysis is "overly optimistic and incomplete" and lacks detail on how FairPoint plans to get back on track, it told the board. "We are therefore compelled to seek other avenues to get the answers we need," Wark said.

In response to the report, New Hampshire's Public Utility Commission plans a technical session. The session, urged by the commission's staff, will bring FairPoint together with commissioners, commission aides, an independent assessment contractor and other interests to "dig into the details" of the company's efforts, said commission Executive Director Deborah Howland. "We hope to set a date by Friday," Howland told us. The commission staff said the Liberty assessment "points out inconsistencies between data reported by FairPoint and staffs' experiences in the three states, as well as inconsistencies in data reported by FairPoint, and areas FairPoint does not address in its report. Liberty

concludes FairPoint cannot be considered to have returned to normalized operations." --
Michael Dolan

FairPoint's Vermont network problems continue to swell

By sbuckley

Created 07/16/2009 - 09:36

FairPoint Communications seems to be running on a never-ending treadmill in its effort to resolve issues on the telephone lines it purchased from Verizon telephone in New England. The ILEC is now under fire again [1] from the Vermont Department of Public Service, which is launching an investigation to determine if FairPoint should be allowed to continue operating in Vermont if its customer service, billing and other operational issues are not resolved soon. This latest development is just one of many mishaps the ILEC has had after it switched over the lines it bought from Verizon into its own network operations. Along with Vermont, FairPoint has had continual customer service and operational issues in both New Hampshire [2] and Maine [3].

Not surprisingly, FairPoint maintains that they are making progress to resolve the reported issues. But even if FairPoint is making an effort to improve its stature through a plan it filed in March, the department does not believe the improvements are being made fast enough to satisfy consumers. Since FairPoint switched over from Verizon's back office systems to its own in February, the Department of Public Service reports a high level of complaints, including billing errors, repair issues and an inability to reach customer service representatives.

<http://www.fiercetelecom.com/node/3651/print>

Officials want state regulators to probe FairPoint over complaints

By DANIEL BARLOW VERMONT PRESS BUREAU - Published: July 15, 2009

MONTPELIER – Vermont officials asked state regulators Tuesday to investigate FairPoint Communications to determine if the company should be allowed to continue operating in the state.

The Vermont Public Service Department asked state regulators to investigate the troubled telecommunications company, specifically why its certificate of public good – essentially its authority to operate in the state – should not be taken away.

FairPoint has been plagued with operational, billing and service problems throughout 2009 after the North Carolina company bought Verizon's landline and Internet operations in Vermont, New Hampshire and western Massachusetts. It could file for bankruptcy protection before the end of the year.

Tamera Pariseau, the coordinator of consumer affairs for the department, told the quasi-judicial Vermont Public Service Board on Tuesday that without substantial changes to FairPoint's operations, "We do not believe it is in the state's best interest for this company to continue operating in Vermont."

FairPoint officials said the department's request was unnecessary. Jeff Allen, the executive vice-president of external affairs, told reporters that the company knows there is still a lot of work to do, but stressed that there have been improvements in service in recent months.

"With or without this petition from the department, our actions would be identical," Allen said. "Our plan is to succeed in building a company that is better than its competitors. Our focus right now is on getting there."

The last straw for the Public Service Department, which has received hundreds of complaints about FairPoint every month, appears to be the company's failure to meet key goals by the end of June that they outlined in a stabilization plan earlier this year.

FairPoint filed that plan, which outlined a strategy to return to "business as usual" by June 30, with regulators at the end of March. The company was unable to reach all those goals and a new report by Liberty Consulting Group, a firm advising all three states on FairPoint, states that "the onus is on FairPoint to explain how and when it will ultimately resolve the remaining issues ..."

The department's filing this week states that absent a detailed plan from the company, "it may not be in the best interest of Vermont that FairPoint continue to be allowed to operate a business in Vermont."

Robert Stright, the co-founder of Liberty Consulting, told the Public Service Board on Tuesday that nearly all of FairPoint's problems stem from the transfer from Verizon's computer systems to their own at the end of January.

Stright said all the tests run by Liberty Consulting showed that this transfer would be successful and he is baffled as to why there were so many problems. When Liberty Consulting began a preliminary investigation into why the results were so different, Stright said FairPoint asked them to sign a nondisclosure agreement.

"It worked in testing," he said. "We saw it work in testing. When the cutover happened, what we saw working with our own eyes, suddenly didn't work."

During Tuesday's Public Service Board hearing, which was scheduled before the department requested the investigation, two competing pictures of FairPoint's readiness emerged.

Company officials acknowledged problems, but stressed that there have been improvements, such as reducing the wait time when customers are put on hold. But state officials even doubted some of those improvements were made.

"People continue to receive the wrong bills for months, but FairPoint does not count that as a billing error," said Pariseau.

She added that "frustration is unbelievably high" in the department for officials dealing with FairPoint complaints. And she said the department has "lost the confidence with the public" for its ability to work out problems between the company and customers.

Allen defended the company's actions, saying it has met monthly with state officials.

"We've been as transparent as possible," he said. "I think, at the end of the day, we'll find that FairPoint is delivering the service."

After Tuesday's filing, department officials said they hope it doesn't come to a point where FairPoint's authority to operate is revoked. Department spokesperson Steve Wark said requesting an investigation will lead to more "fact-finding" on FairPoint's financial condition and its plans.

If FairPoint is told to leave the state, customers will not be left without telephone or Internet service. Wark said the state would ensure that there first was a "reasonable alternative" in place.

"We hope this is the encouragement for the company to get back on track," Wark said.

<http://www.timesargus.com/article/RH/20090715/NEWS04/907150356/0/SPORTS>

Vermont: FairPoint doesn't fix problems

Associated Press

 By LISA RATHKE

MONTPELIER --Taking a hard line on troubled FairPoint Communications, the Vermont Department of Public Service on Tuesday called for an investigation into whether the company should be allowed to continue to operate in Vermont if it doesn't fix its customer service, billing and other operational problems.

The consumer advocacy department filed a petition with state regulators asking them to determine if FairPoint should be allowed to keep its certificate of public good, or its license to conduct business as a regulated utility in Vermont.

"Our objective is clear to ensure FairPoint honors its commitments to Vermont consumers," said Department spokesman Stephen Wark. "We are not willing to take a wait and see approach. We have given FairPoint an opportunity to improve and it just hasn't done enough."

FairPoint, which bought Verizon Communications Inc.'s landline telephone and Internet business in northern New England last year, said the petition is unnecessary and won't affect the pace of improvements.

The improvements haven't come fast enough for the Vermont Public Service Department.

The department says it continues to receive "unprecedented levels" of complaints since FairPoint began operating under its own systems rather than Verizon's on Feb. 9, 2009, ranging from billing errors, to repair and delivery problems and trouble reaching customer service representatives.

In March, the state fielded 557 consumer complaints, 592 in April, 328 in May, 306 in June and 129 in the first 10 days of July.

FairPoint filed a plan on March 31, 2009 to identify and fix the problems by the end of June.

Fastiggi acknowledges that wait times for business customers calling customer service centers are too long but says the company has substantially reduced times for residential clients and expanded broadband service.

"To remark on their gains while ignoring the continued negative impact the lack of performance is having on Vermont consumers, individuals who need their phone to contact doctors, small businesses who rely on their internet and telephone service to

sustain them, emergency service providers whose clients' health and possibly life are at risk, is an insult to the very people whom FairPoint must rely on for their continued viability," the department said in its filing.

The problems have taken a toll on FairPoint, the department said.

The company is now seeking to postpone a bond interest payment due in October on debts totaling \$531 million. If it can't be put off, the company might seek alternative debt-restructuring plans, which could include bankruptcy, FairPoint said in a Securities and Exchange Commission filing in late June.

The Vermont Public Service Board will decide whether to investigate FairPoint. The quasi-judicial panel will likely take up the issue soon, said board clerk Susan Hudson.

http://www.reformer.com/localnews/ci_12838975?source=rss

FairPoint seeks debt relief

BY TUX TURKEL

Portland Press Herald

FairPoint Communications owes more than \$845,000 to competitive local phone carriers in Maine for giving them poor wholesale service, but is asking the Maine Public Utilities Commission to toss out the penalties.

That debt is part of \$2.8 million that FairPoint estimates it owes to local phone competitors across northern New England for substandard network service from February through April. Additional penalties are expected for May and June, when problems persisted. FairPoint doesn't want to pay them, either.

In recent filings with state regulators in Maine, New Hampshire and Vermont, the company says "unprecedented and unforeseen issues" linked to taking over landline service from Verizon this year created "situations beyond FairPoint's control." That's why it wants regulators to waive the payments.

The waiver also would help FairPoint conserve cash during a critical financial period, which would help it get the network back to business-as-usual operation levels. That would benefit all phone carriers and customers, FairPoint says.

Competing phone carriers in Maine aren't buying FairPoint's argument. Legal filings pending in the case this week will ask the PUC to dismiss FairPoint's request. The carriers say FairPoint's failures are costing them customers and revenue, and they shouldn't take the hit.

"We have been injured," Fletcher Kittredge, chief executive officer at Great Works Internet in Biddeford told the Portland Press Herald. "Now FairPoint is saying they shouldn't have to pay penalties because they tried as hard as they could."

Kittredge figures FairPoint owes GWI, as his company is known, more than \$350,000 in penalties. GWI has 20,000 customers in Maine, half with both phone and Internet service. Some potential customers gave up, Kittredge said, when they learned they'd have to wait a month for FairPoint to switch their lines to GWI.

"People aren't going to wait that long," he said.

FairPoint has been struggling to restore normal phone service in northern New England since February, when it took control of the region's landline network from Verizon. Widespread problems with hooking up phones and responding to service requests from retail customers have been widely reported in the media.

But troubles faced by Maine's dozen or so competitive carriers have received little attention. These carriers have more than 150,000 customers in Maine, 20 percent of all

landlines. Cable companies that provide digital phone service through Voice Over Internet Protocol technology also are affected, because they indirectly maintain interconnections with FairPoint's network. High quality wholesale service is critical to serving digital and business class phone customers, Time Warner Cable says in a legal filing at the PUC.

Legacy phone companies are required by law to open their networks to local competitors. They must provide wholesale access and work with customers, for instance, who want to switch carriers but keep their phone numbers. Agreements made with the state, part of a Performance Assurance Plan signed by Verizon and assumed by FairPoint, set penalties for failing to meet certain standards linked to the timeliness and quality of interconnections.

In its waiver request, FairPoint acknowledges it didn't meet the performance standards in February, March and April, and won't for May and June. It's asking the PUC for relief from making the penalty payments to the local carriers.

"FairPoint is as disappointed as any other stakeholder by the unexpected issues that the systems transition from Verizon to FairPoint caused," Jeffrey P. Nevins, Fairpoint's Maine spokesman, said in a prepared statement. "Like many companies in today's economy, FairPoint is managing its financial situation carefully and the waiver is in concert with FairPoint's efforts to concentrate our financial resources on things that will benefit our wholesale and retail customers."

Nevins said by waiving or modifying the payments utility commissions in Maine, New Hampshire and Vermont will make it possible for FairPoint to focus its resources on its continuing efforts toward returning to normal operations as soon as possible.

"We recognize the impacts the transition has had on all our customers, and our objective is to return to normal operations as soon as possible. The waiver will help expedite the process," Nevins said.

FairPoint's request is taking place against a backdrop of deep financial distress. The company has signaled that it might need to file for bankruptcy reorganization later this year, if it can't restructure steep debt payments.

Competitive phone carriers say they understand this, but disagree that FairPoint should be able walk away from the penalties. They've filed detailed, technical questions in the case aimed at probing how and why FairPoint has failed to live up to its obligations.

"If you want to have millions of dollars waived, you just don't come in to the PUC and say, 'it didn't work out so well,'" said Trina Bragdon, an attorney at Mid-Maine Communications and Pine Tree Networks.

Bragdon, who also represents GWI, Time Warner and other competitive carriers in the data request, said FairPoint's service problems on the network have cut into carrier profit

margins. They lose money when people and businesses sign up to change carriers, but are unable to make the switch. And they spend money and use up work time trying to compensate for FairPoint's problems, she said.

Bragdon estimates Mid-Maine is so far owed \$140,000; Pine Tree, \$55,000. But those penalties, she said, don't make up for the opportunity costs of lost business, if a large customer like a bank or medical practice can't switch carriers.

Even when customers can switch, problems sometimes come up.

Dan's Automotive Repair & Sales in Rumford waited a month to switch in May from FairPoint to GWI, which he said offers a better price. But FairPoint shut off its access a day early, according to Dan Richard, the owner, and he couldn't get anyone at FairPoint to help him. It was only one day, but Richard worried about the impression it might make on callers.

"If a customer can't get through, what kind of taste does that leave in their mouth?" he said.

It's up to Maine's PUC now to decide whether FairPoint should get relief from paying these penalties. On one hand, said Wayne Jortner, a lawyer with the Office of Public Advocate, the competitive carriers probably won't see any money if FairPoint is forced into bankruptcy. On the other hand, these companies face their own financial pressures that have been made worse by FairPoint's failures.

"A company can only go so long without being able to hook up customers," Jortner said.

<http://morningsentinel.maintoday.com/news/local/6570690.html>

This is a printer-friendly version of an article from the Concord Monitor at <http://www.concordmonitor.com>.



Article published on June 28, 2009

Fairpoint raises bankruptcy

Filing: October debt payment impossible

By Margot Sanger-Katz Monitor staff

June 28, 2009

Fairpoint Communications could file for bankruptcy before the end of the year, if its debt holders don't agree to allow the company to postpone interest payments, according to a recent filing with the Securities and Exchange Commission.

The North Carolina telecommunications company, which took over Verizon's landline phone network in New Hampshire, Vermont and Maine, has faced continual service, technical and financial problems. According to the filing, the company does not expect it will be able to pay the interest due in October on \$530 million in loans. The SEC filing, submitted Wednesday, asks the company's lenders to exchange their notes for new loans that would give FairPoint more time to repay.

If lenders won't agree, the company will need to restructure, which could include bankruptcy, the filing says.

If the company can't negotiate the refinancing, it "will explore other options," said Jill Wurm, a spokeswoman for Fairpoint. "We believe it's in the best interest of the bond holders to accept this exchange offer," she said.

The prospect of bankruptcy has been raised by analysts but has never before been mentioned by the company directly. Last month, the three major credit rating agencies downgraded their evaluation of the company, citing statements that it is exploring restructuring and considering a financial adviser.

According to Wednesday's filing, the company has exhausted its ability to borrow money, and can proceed only if 95 percent of its debt holders volunteer for the proposed restructuring.

Wurm said it's the company's policy not to reveal its lenders. She would not say whether the debt is held by one or several parties.

The filing cites some recent improvements in the company's performance, but acknowledges that it has struggled to meet its customer service goals and raise money, in part because of problems with its computer systems.

Since the company took over landline service in January, it has been beset by consumer complaints and many subscribers have cancelled their service. Fairpoint lost \$8.78 million in the first quarter of this year, compared with a \$9.54 million gain in the first quarter a year ago.

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State Public Advocate: FairPoint not being up front about service

BY TUX TURKEL

KENNEBEC JOURNAL Morning Sentinel

06/11/2009

BY TUX TURKEL

Portland Press Herald

FairPoint Communications is failing to tell customers about bargain-priced Internet and basic phone service, as it agreed to do, the state Public Advocate Office is charging.

The company seems to be missing opportunities to win new customers and increase revenue, lawyers in the office say. They want to meet with FairPoint and find out why.

In response, FairPoint disputes some of the Public Advocate's allegations. It's willing to meet and discuss the matter, the company said, but ultimately must make its own business decisions.

This latest dispute is brewing as FairPoint is slowly restoring normal phone service across northern New England, five months after it took control of the landline network from Verizon Communications and became the region's dominant phone provider.

FairPoint has been struggling with computer and software glitches that have overwhelmed its call centers and ability to process orders. The rough transition has angered many customers and led them to take Internet and phone service from competitors.

Regulators in Maine, New Hampshire and Vermont have been trying to get on top of the situation. They're in daily contact now with the company, as it aims to return phone service to "business as usual" levels by June 30.

The issues raised by the Public Advocate, however, aren't about technical problems. Rather, they involve service and pricing practices that the Public Advocate says FairPoint agreed to follow.

The Maine Public Utilities Commission attached several conditions meant to benefit consumers, when it approved the Verizon sale last year. These terms were negotiated between the company, the PUC, Public Advocate and other parties.

For example: FairPoint agreed to offer Verizon's basic DSL service for \$15 a month, with a two-year contract. This offer was to be in effect for two years after the sale closing. The goal was to expand Internet access and keep some level of high-speed service very affordable.

But FairPoint isn't advertising that option, the Public Advocate complains. The least expensive DSL option offered on FairPoint's Web site costs \$33.99 a month.

Another example: FairPoint agreed to reduce basic telephone exchange rates to \$14.69 a month. But FairPoint doesn't advertise that rate on its Web site. It only offers more-costly plans that bundle basic phone service with long distance and other options. If customers call and ask about basic service, the Public Advocate says, FairPoint reps seem confused about the price.

To remedy these problems, the Public Advocate wants FairPoint to agree to two additional years of discount DSL pricing, and to widely advertise the \$14.69 basic telephone service.

Two lawyers for the office, Wayne Jortner and William Black, summed up the phone service issue this way in a recent letter to FairPoint: "We are concerned that FairPoint is foregoing a significant opportunity to win back some of its customers and to increase its access-line revenues."

In a separate complaint, Jortner and Black say FairPoint policies are hurting local telephone and Internet companies that depend on it for wholesale services, another violation of the sale conditions. These policies deal with how companies gain access to pieces of FairPoint's network to serve their customers.

After reviewing the Public Advocate's letter, FairPoint said it will schedule a meeting with the office's staff. But Jeff Nevins, a company spokesman, said some of the charges are inaccurate. He declined to discuss them publicly.

"There is some information we need to bring to the table," he said. "We need to set the record straight."

In a general sense, Nevins said, FairPoint is holding back on plans to aggressively market phone and Internet services until it solves all the technical problems and restores the network to "business as usual" status at the end

of this month.

If the two parties can't work something out in meetings, Jortner said, his office may file a formal motion with the PUC, charging FairPoint with violating terms of the sale.

For its part, the PUC is monitoring the dispute, but not taking sides. It will follow up if it receives a formal motion to determine whether the sale conditions have been violated.

"These are only allegations from the Public Advocate, at the moment," said Rich Kania, a senior utility analyst at the agency.

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Rutland Herald

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Article published Jun 9, 2009

FairPoint customers blanked

By [Bruce Edwards](#) STAFF WRITER

As yet another sign of its ongoing problems, about 12,000 of FairPoint Communications customers in Vermont lost Internet service Monday.

FairPoint's Internet service in parts of the state went down at 2:50 p.m. The outage affected both high-speed and dial-up customers. A recorded message on the company's technical support line said there was no estimated time when service would be restored and advised customers to call back for an update.

Shortly before 10:30 p.m., service was restored to about 12,000 customers, according to Fairpoint spokeswoman Beth Fastiggi.

"We do have an issue that is affecting some customers in Vermont. However, it is not impacting all FairPoint Internet customers in the state," Fastiggi said in an e-mail late Monday afternoon.

Fastiggi confirmed that the outage was isolated to parts of Vermont and was related to a hardware issue. She said Maine and New Hampshire customers were not affected.

Stephen Wark, a spokesman with the state Department of Public Service, said the department received phone calls Monday from customers who lost service.

"The basic information we have is that it's probably under 12,000 customers but other than that we don't know exactly how many or what areas are particularly affected," Wark said. "We do know FairPoint has said they're working on the problem."

Fastiggi said the number of customers who lost service represent a minority of the company's Internet customers in the state.

FairPoint has had ongoing problems with service in the three northern New England states since switching to its own systems from the Verizon network in January.

Wark said FairPoint's service issues in Vermont remain a concern.

"Essentially FairPoint is suffering from difficulties in the market that have made it difficult for them to keep up with their promises," he said. "Nonetheless, Vermont consumers deserve to have quality service and we're going to continue to fight to make sure that they get decent quality telecommunications."

As the incumbent telecommunications provider in the state, Wark said FairPoint "needs to start acting like it."

bruce.edwards@rutlandherald.com



June 9, 2009

South Burlington police phone lines restored

Free Press Staff Report

After a six-hour failure Monday, the phone lines are working again at the South Burlington Police Department, city offices and fire department.

The police department was unable to receive calls to its direct line. Police were able to call out, and the secondary line was working. The problem was reported at about 7 a.m. Monday. All emergency calls were directed to Vermont E911 and the Burlington Police Department.

The South Burlington police were down to two telephone lines coming into the office, one for police and the other for fire.

An aging circuit was found to be the problem and was repaired by FairPoint Communications, according to a news release from the police department.

Police said protocols for this type of situation were initiated immediately.

"This situation was a significant inconvenience to city operations because all nonemergency telephone service was interrupted. It is important for our community to be aware that there is a system in place to handle situations like this, and it was implemented immediately so that information regarding emergencies can be received and acted upon," according to the news release.

FierceTelecom

WHAT'S NEXT FOR TELCOS

Published on FierceTelecom (<http://www.fiercetelecom.com>)

From bad to worse for FairPoint in Vermont

By jimo

Created 06/09/2009 - 11:13

FairPoint Communications, which already can be accused of offering customers in Vermont, New Hampshire and Maine communications services Third World users might find subpar, ran into another glitch yesterday that left 12,000 of its customers in Vermont without Internet service for much of the day. Dial-up and high-speed customers lost service at 2:50 p.m. and couldn't connect again until almost 10:30 p.m. FairPoint blamed hardware issues and said only customers in Vermont were affected.

The company took over operations from Verizon in January and has had a miserable time debugging everything from Internet, to landline service, to local exchanges in the three states.

"Essentially FairPoint is suffering from difficulties in the market that have made it difficult for them to keep up with their promises," said Stephen Wark, a spokesman with the state Department of Public Service. "Nonetheless, Vermont consumers deserve to have quality service, and we're going to continue to fight to make sure that they get decent quality telecommunications."

For more:

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[June 09, 2009]

BRIEF: Phone service failure reported in some areas

BRATTLEBORO, Jun 09, 2009 (Brattleboro Reformer - McClatchy-Tribune Information Services via COMTEX) --Callers to the Brattleboro Municipal Building were greeted with a busy signal all day Monday.

The cause of the failure of the 251 telephone exchange was unknown but might have been related to a similar failure in Burlington and other portions of the state.

Beth Fastiggi, spokeswoman for FairPoint Communications, said the failure was not the fault of FairPoint and referred the Reformer to Level (3) Communications of Broomfield, Colo., which maintains service on fiber optic lines in Vermont.

A spokeswoman for Level (3) said she would investigate the failure and determine whether Level (3) was responsible, but did not call back by press time.

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WMUR.com

FairPoint Says It's Addressing Customer Complaints

Company Believes It Will Make Goal Of Increasing Broadband Service

POSTED: 12:21 pm EDT June 9, 2009

CONCORD, N.H. -- FairPoint Communications officials told state regulators Tuesday that they are making headway in addressing a backlog of service requests.

Executives and attorneys for the beleaguered telecommunications company appeared before the Public Utilities Commission. Regulators have been examining the progress the company has been making to get back into the good graces of customers months after taking over for Verizon.

Most of the discussion Tuesday was planned to take place behind closed doors. The few public questions dealt with employee bonuses, the state of tree trimming and whether the company is prepared to deal with any stimulus money that might become available.

Since FairPoint took over Verizon's landlines, it has been the subject of complaints from customers, with some saying they have had difficulty getting basic phone service.

Company officials said they are addressing complaints and should be able to meet their goal of bringing broadband service to 75 percent of New Hampshire by the beginning of October.

Vice president Jeff Allen said that if stimulus money becomes available, the company should be able to accelerate that process.

"So, higher penetration rates throughout each of the different communities, more communities served and a higher capacity network," Allen said.

The closed-door hearing was scheduled to get under way Tuesday afternoon.

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Video: FairPoint Meets With State Regulators

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Article published May 9, 2009

Fairpoint's debt rating gets downgraded

By CHELSEA CONABOY
Concord Monitor

Three major credit-rating institutions downgraded FairPoint Communications this week after the company released its first quarterly report since taking over operations of the landline telephone network in New Hampshire, Maine and Vermont at the end of January.

The company has struggled to provide adequate service, prompting an unprecedented number of complaints from frustrated customers to the Public Utilities Commission. FairPoint purchased the network from Verizon last year for \$2.4 billion.

According to the company's filing Tuesday with the Securities and Exchange Commission, it lost \$8.78 million in the first quarter, compared with a \$9.54 million gain in the first quarter of last year.

The company largely attributed the loss to the cost of coping with a troublesome transition and to the loss of subscriber lines. Regular phone line subscribers decreased 10.9 percent in a year.

Analysts with Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, which use a grading system to determine investor risk, have lowered FairPoint's status. Analysts focused largely on a statement from FairPoint that it may explore restructuring and is considering hiring a financial adviser to evaluate that option.

One report, from Fitch, said restructuring could lead to bankruptcy.

Fitch telecommunications analyst John Culver said the hiring of such an adviser often means a company has recognized that as a possibility.

Bankruptcy has been the unmentionable specter looming over discussions of FairPoint's future. Debra Howland, executive director of the state Public Utilities Commission, declined to say yesterday whether the commission has begun to develop a plan should FairPoint file for bankruptcy.

Howland said the company has indicated in recent filings that its service is improving, with wait times reduced and billing cycles on schedule. But, she said, the filing "provides a basis for real concern about the company's financial prospects."

FairPoint spokeswoman Jill Wurm declined to comment on the ratings.

Consumer Advocate Meredith Hatfield said no one wants to see a FairPoint bankruptcy. She said the company needs to succeed because the state's businesses, residents and government depend on its services.

"Failure is not an option," she said. "We have to figure out how to make it work."

Analysts were also concerned by a statement from the company that it may not be able to meet the terms of a credit agreement this quarter.

FairPoint's lender requires the company to have enough earnings to cover interest expenses 2.5 times over, Culver said.

FairPoint's filing said the company had met the terms of the agreement as of March 31. However, it warned it may not be able to do so between now and June 30. The company would seek a waiver from its lenders but said it can't guarantee it will get one.

A Standard & Poor's analysis said future ratings depend in part on whether the company can secure new terms for its loan.

The report showed the company has \$4.7 million left to borrow on existing loans. Culver said that's not much of a cushion, especially considering that the downgrade could affect the company's ability to take out new loans.

According to the company's filing, it had about \$69 million in cash as of April 30, and it has \$2.46 billion in long-term debt. The company has suspended dividend payments.

Hatfield said she is frustrated that the company's filings this week show it may not be able to meet financial deadlines while also disclosing that the company paid performance-based bonuses to executives in March.

"It calls into question their judgment," she said.

Hatfield said she thinks that "calls for action," though she's not sure what that should be. She had asked the commission to evaluate the company's finances during a status conference last month, but discussions then focused largely on service levels.

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REGIONAL -- FairPoint's debt rating cut, Fitch cites restructuring fear

147 words

8 May 2009

TR's State NewsWire

TRSN

English

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Fitch Ratings said yesterday it reduced several of its ratings on FairPoint Communications, Inc. -- including its issuer default rating from "B-plus," to "B-minus" -- after the company said it is considering hiring a financial advisor to evaluate a possible debt restructuring.

FairPoint, which is based in Charlotte, N.C., and provides telecom services in rural markets including through operations in northern New England acquired from Verizon Communications, Inc., last year, said in an earnings report on Wednesday that it may be in danger of violating an interest coverage ratio under its credit agreement as early as in June, due to the weak economy and difficulties related to taking over operation of the former Verizon systems.

"Fitch is concerned that a potential restructuring could lead to a bankruptcy filing or coercive debt exchange," the ratings agency said.

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Portland Press Herald Maine Sunday Telegram

Internet service woes prompt FairPoint complaints

A Camden inn loses online access -- and business -- for two weeks because of a glitch with the company.

May 7, 2009

— By ABIGAIL CURTIS

Bangor Daily News

CAMDEN — "Currently Offline. Check back soon."

That was the message would-be diners saw for 13 days when they tried to use the Internet to reserve a table at the Camden Harbour Inn's swanky restaurant, Natalie's.

And it's a message that made Raymond Brunyankszki irate as he struggled to do crisis control after a FairPoint Communications glitch left his boutique hotel and restaurant without Internet access for nearly two weeks.

"It is unbelievable how many problems and costs we are having right now. In the current economy, it is outrageous that FairPoint is unresponsive," Brunyankszki, co-owner of the inn, said Monday before another company finally got the service up and running Wednesday afternoon. "It's unacceptable. It's costing us so much money."

As the cost of losing Internet service rose to at least \$15,000, including lost reservations, accidental double bookings and extra labor charges for people to answer the phones, Brunyankszki heard many other stories from people who had problems with FairPoint. And he started to wonder.

"There are companies in Maine that have been six weeks without the Internet because of FairPoint," Brunyankszki said. "I really don't understand why the government is not interfering by now."

Many Mainers likely are wondering the same thing. Charlotte, N.C.-based FairPoint Communications paid \$2.3 billion for Verizon Communications' landlines in Maine, New Hampshire and Vermont in a deal completed on March 31, 2008, but it did not take total control until late January of this year.

At that time, it transferred data from Verizon's 600 computer systems to its new network of 60 computer systems -- and triggered a blizzard of billing and service problems that angered customers and caused the company to issue credit rebates to nearly 20,000 people.

FairPoint hired two consultants to help it fix the problems and filed a "stabilization plan" in March with the Maine Public Utilities Commission, detailing how it would get on track.

"There is ongoing, robust oversight to what the company is doing," said Fred Bever, spokesman for the PUC.

That may be true for FairPoint's telephone service, but Bever acknowledged that there is no state oversight for the company's Internet side.

The Federal Communications Commission provides some oversight, but the federal Telecommunications Act of 1996 intentionally deregulated Internet service providers such as FairPoint with the stated aim of preserving "the vibrant and competitive free market that presently exists for the Internet."

That may sound pretty good, but it's cold comfort to people like Brunyankszki and Michael Hurley of Belfast, who ran into frustration when he tried to switch to FairPoint for his Internet service.

"I have five businesses, all of which are 100 percent dependent on the Internet," Hurley said Wednesday. "It's like electricity at this point. If you don't have it, you're dead."

"What FairPoint has done is really reprehensible, in my opinion. They were so unprepared, and I blame the state of Maine for allowing them to do that. The state of Maine has a Public Utilities Commission which regulates this stuff. Somebody should do something about it," he said.

In general, it seems as if FairPoint's biggest problems are behind it, said Bever at the PUC.

He noted that complaint calls about the company began slowing down a month ago and have been "holding steady."

He also said that at the time of the sale, FairPoint committed to making \$135 million in capital investments for broadband Internet in Maine over three years.

"The company's confidential financial reports indicate that it is on track for that commitment," Bever said. "This level of investment is a beneficial contrast to Verizon's."

And according to FairPoint spokesman Jeff Nevins, the company plans to be back in "normal business operations" by July.

"It was one of the most complicated transfers in telecommunications history," Nevins said this week.

The Associated Press contributed to this report.

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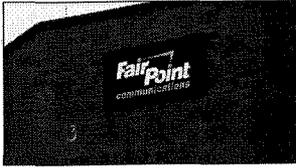
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FairPoint Customers Canceling



Portland, Maine - May 7, 2009

As FairPoint Communications continues to struggle with its takeover of Verizon, customers apparently are fed up.

The utility took over Verizon's landlines in Vermont, New Hampshire and Maine in February. A customer service call backlog was expected, but there were more problems than expected. State regulators in all three states have threatened action.

In its most recent quarterly report, 2 percent of its customers-- about 20,000-- in all three states canceled their service.

Overall, the company recorded nearly \$9 million in losses, but the board raised the CEO's base pay by \$600,000.

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Fairpoint frustrates Internet customers

By Abigail Curtis, Bangor Daily News, Maine

McClatchy-Tribune Regional News

910 words

7 May 2009

Bangor Daily News (MCT)

KRTNG

English

Distributed by McClatchy - Tribune Information Services

May 7--CAMDEN, Maine -- "Currently Offline. Check back soon."

That is the message would-be diners saw for 13 days when they tried to use the Internet to reserve a table at the Camden Harbour Inn's swanky restaurant, Natalie's.

And it's a message that left innkeeper Raymond Brunyankszki irate as he struggled to do crisis control after a FairPoint Communications glitch left the boutique hotel and restaurant without Internet access for nearly two weeks.

"It is unbelievable how many problems and costs we are having right now. In the current economy, it is outrageous that FairPoint is unresponsive," the Dutch-born Brunyankszki, co-owner of the inn, said Monday before another company finally got the service up and running on Wednesday afternoon. "It's unacceptable. It's costing us so much money."

As the cost of losing the Internet rose to at least \$15,000, including lost reservations, accidental double bookings and extra labor charges for people to answer the phones, Brunyankszki heard many more stories from people who also had problems with FairPoint. And then he started to wonder.

"There are companies in Maine that have been six weeks without the Internet because of FairPoint," Brunyankszki said. "I really don't understand why the government is not interfering by now."

Many Mainers likely are wondering the same thing. The Charlotte, N.C.-based FairPoint Communications paid \$2.3 billion for Verizon Communications' land lines in Maine, New Hampshire and Vermont in a deal completed on March 31, 2008, but it did not take total control until late January of this year. At that time, it transferred data from Verizon's 600 computer systems to its new network of 60 computer systems -- and triggered a blizzard of billing and service problems that angered customers and caused the company to issue credit rebates to nearly 20,000 people. FairPoint hired two outside consultants to help fix the problems and also filed a "stabilization plan" in March with the Maine Public Utilities Commission that detailed how it would get on track.

"There is ongoing, robust oversight to what the company is doing," Fred Bever, spokesman for the Maine PUC, said Wednesday. That may be true for FairPoint's telephone service, but Bever acknowledged there is no state oversight for the beleaguered communication company's Internet side. The Federal Communications Commission provides some oversight, but the federal Telecommunications Act of 1996 intentionally deregulated Internet service providers such as FairPoint with the stated aim of preserving "the vibrant and competitive free market that presently exists for the Internet."

That may sound pretty good, but it's cold comfort to people such as Brunyankszki or businessman Michael Hurley of Belfast, who ran into frustration after frustration when he tried to switch to FairPoint for his Internet service.

"I have five businesses, all of which are 100 percent dependent on the Internet," Hurley said Wednesday. "It's like electricity at this point. If you don't have it, you're dead. What FairPoint has done is really reprehensible, in my opinion. They were so unprepared, and I blame the state of Maine for allowing them to do that. The state of Maine has a Public Utilities Commission which regulates this stuff. Somebody should do something about it."

In general, it seems as if FairPoint's biggest problems are behind it, said Bever at the PUC. He noted that complaint calls about the company began slowing down a month ago and have been "holding steady." He also said that at the time of the sale, FairPoint committed to making \$135 million in capital investments for broadband Internet in Maine over three years.

"The company's confidential financial reports indicate that it is on track for that commitment," Bever said. "This level of investment is a beneficial contrast to Verizon's."

And according to FairPoint spokesman Jeff Nevins, the company plans to be back at "normal business operations" by July.

"It was one of the most complicated transfers in telecommunications history," Nevins said this week. "Now things are trending upwards, but we still have some issues. The Camden Harbour Inn is an example of one of those."

While the company says it is working to resolve its problems, that may not be enough to reassure a business that has had difficulties with its Internet service, said Nory Jones, University of Maine associate professor of management information systems.

"There's an expectation of 100 percent uptime, and that the quality of service is going to be absolutely perfect," Jones said.

That expectation is realistic, she said, adding that most service providers have enough redundancy built into their systems to cushion the effect of potential problems to businesses.

"I think people are surprised, shocked and angry when something happens," she said.

That is a good description of Brunyankszki's response.

"For Dutch people, this is really a third-world country practice. It's what you expect from Africa, not from Maine. We are really very irritated and frustrated about it," he said. "International travelers are just blown away if you tell them that FairPoint in Maine is taking 10 days to fix this. Only people from Maine understand."

The Associated Press contributed to this report.

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FairPoint Sees Stability In New England Telephone Assets

359 words

7 May 2009

CMP TechWeb

CMPT

English

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With most of the agony behind it of switching northern New England telephone customers to new service and systems, [FairPoint Communications](#) said this week that it expects to return to normal operations by the end of the second quarter.

The switchover from [Verizon Communications](#) to FairPoint began more than a year ago and has been marked by a plunging FairPoint stock price -- from more than \$15 a share to less than \$2 -- and thousands of complaints from consumers. FairPoint, based in Charlotte, N.C., reported a loss of \$8.8 million on revenue of \$311.6 million. In the year-earlier quarter, FairPoint lost \$10 million on revenue of \$349 million.

Verizon wanted to rid itself of the mostly rural assets so it could invest in what it believes are better investments in its [Verizon Wireless](#) and FiOS cable units.

While there are still pockets of complaints over its service, FairPoint said it expects to experience a declining rate of cutover-related costs. FairPoint's northern New England service in Maine, New Hampshire, and Vermont represents the bulk of its business, although it operates small telephone companies in other states, too.

"During the first quarter of 2009, we completed an unprecedented cutover to our new systems for the northern New England operations," said FairPoint chairman and CEO Gene Johnson, in a statement. "While the systems cutover has resulted in a disruption to our operations and has negatively impacted or inconvenienced many of our customers over the past several months, measurable progress has been achieved in key areas and we expect to largely return to a normal level of operations by the end of the second quarter."

Johnson said he expects FairPoint will focus on growing revenue in the second half of the year.

Although Verizon's former operation in northern New England has suffered through the switchover, it has fared better than Verizon's former operation in Hawaii, which, as Hawaiian Telecom, filed for bankruptcy a few months ago.

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**Fitch Downgrades FairPoint Communications' IDR to 'B-'; On Watch Negative**

578 words

7 May 2009

09:35

Business Wire

BWR

English

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CHICAGO - (BUSINESS WIRE) - Fitch Ratings has downgraded the following ratings assigned to FairPoint Communications, Inc. (FairPoint):

--Issuer Default Rating (IDR) to 'B-' from 'B+';

--\$551 million 13.125% senior unsecured notes due 2018 to 'B-/RR4' from 'B+/RR4';

--\$170 million senior secured revolving credit facility to 'BB-/RR1' from 'BB+/RR1';

--\$500 million senior secured term loan due 2014 to 'BB-/RR1' from 'BB+/RR1';

--\$1.13 billion senior secured term loan due 2015 to 'BB-/RR1' from 'BB+/RR1';

--\$200 million senior secured delayed draw term loan due 2015 to 'BB-/RR1' from 'BB+/RR1'.

In addition, Fitch has placed the company on Rating Watch Negative.

Fitch's downgrade and Negative Watch reflect the company's disclosure with the release of its first quarter 2009 earnings that the weak economy, difficulties related to its systems cutover, and incremental costs to operate the business following cutover may jeopardize its ability to execute on its business plan, and that it may be at risk of violating its interest coverage covenant in its bank facility (2.5 times [x]) as early as June 30, 2009. In addition, FairPoint is considering the engagement of a financial advisor to evaluate its current capital structure and explore options with regard to a potential restructuring. Fitch is concerned that a potential restructuring could lead to a bankruptcy filing or coercive debt exchange.

The first quarter of 2009 demonstrated a slowing of the rate of erosion in the company's business, however, Fitch continues to believe the accumulation of the pressures on the business will make it difficult for FairPoint to stabilize its credit metrics until the latter half of 2009 at the earliest. A mitigating factor regarding the pressure on the company's cash flow is the suspension of the company's dividend, which will preserve approximately \$93 million annually of financial flexibility.

The Negative Watch could be resolved if the company successfully amends its interest coverage covenants and if the likelihood of a restructuring appears low. Under such a scenario, a Negative Outlook may be reassigned until the company demonstrates progress in stabilizing operating trends, as well as steps it may be able to take to improve its financial flexibility through a combination of cost controls and capital spending reductions.

On March 31, 2009, FairPoint's cash balance amounted to approximately \$92.5 million and its restricted cash balance was \$55.2 million. The cash balance includes proceeds drawn on FairPoint's \$170 million credit facility to preserve capital availability; \$4.7 million remains available. FairPoint has no major maturities in 2009, although Fitch estimates approximately \$33 million will be due under the amortization of its credit facility during the remainder of the year. The revolving credit facility and term loan A mature in March 2014.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com [<http://www.fitchratings.com>]. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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Charlotte Business Journal - May 6, 2009
</charlotte/stories/2009/05/04/daily28.html>

CHARLOTTE BUSINESS JOURNAL

Wednesday, May 6, 2009

FairPoint posts \$8.8M loss

Charlotte Business Journal

FairPoint Communications Inc. reports a first-quarter net loss of \$8.8 million, or 10 cents per diluted share, according to a company filing with the Securities and Exchange Commission.

In the same period last year, the telecom reported a first-quarter net loss of \$10 million, or 11 cents per diluted share. Those results combine FairPoint's operations at the time with the New England franchise of Verizon Communications Inc., which FairPoint bought in March 2008.

The quarterly results are difficult to compare because of the Verizon acquisition, which added about 1.3 million customers to FairPoint.

According to the company's pro forma results, revenue fell to \$311.6 million in the latest quarter from \$349.4 million a year earlier.

"Our financial performance was negatively impacted during the first quarter as we continued to incur substantial cutover-related costs and assumed responsibility for all services previously performed by Verizon under the transition-services agreement," says Gene Johnson, chief executive. "Looking ahead, we expect to continue to incur cutover-related costs, at a declining rate, during the second quarter as we strive to return to normal operating levels."

During the latest quarter, FairPoint drew \$50 million under its \$170 million credit facility. As of March 31, the company had \$4.7 million remaining under that facility, net of letters of credit totaling \$15.3 million.

Last year, Charlotte-based FairPoint bought Verizon's landline operations in Vermont, Maine and New Hampshire for \$2.3 billion. The deal made FairPoint (NYSE:FRP) the country's eighth-largest telephone company.

FairPoint completed its \$462.5 million initial public offering in February 2005. The company markets local and long-distance voice, data, Internet and broadband services. It owns and operates local telecom exchanges in 18 states.

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B

FairPoint chief paid \$1.2M, report says

126 words

6 May 2009

Bangor Daily News

BNGR

All

8

English

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PORTLAND - FairPoint Communications' top executive received \$1.2 million in salary, bonus and stock awards last year, including a 30 percent increase in his base salary.

The Portland Press Herald reported that although Eugene Johnson's overall compensation fell sharply from 2007, his 2008 base salary was raised to \$600,000 by FairPoint's board of directors, according to information filed with the Securities and Exchange Commission. Six other top managers received raises averaging nearly 23 percent.

The company closed in March 2008 on its \$2.3 billion purchase of Verizon's phone system in Maine, New Hampshire and Vermont. The company's stock value has plummeted since the closing and the board recently suspended quarterly dividend payments.

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FierceTelecom

WHAT'S NEXT FOR TELCOS

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FairPoint execs get bonuses, revenue dips

By doshea

Created 05/06/2009 - 09:36

The two top executives at troubled FairPoint Communications customers received performance-based bonuses recently at roughly the same time that the company was being lambasted over its poorly-executed system cutover in New England. Fair Point's poor response to cutover problems related to the operational transition of former Verizon landline properties drew the ire of customers and regulators alike, but two company execs were still given more than \$100,000 in bonuses.

FairPoint Chairman and CEO Gene Johnson received an \$83,862 bonus and a 30 percent raise in 2008, according to an SEC filing, while FairPoint President Peter Nixon accepted a \$50,000 bonus. Other executives also were reported to have received raises.

The bonuses appeared to be directly connected to the acquisition itself, and Johnson reportedly made less in compensation for 2008 than he did in 2007. However, this still won't sit well with FairPoint customers who were affected by the cutover problems, or New England regulators and consumer groups who were worried about the FairPoint acquisition from Day One.

Meanwhile, FairPoint reported first-quarter earnings that included a sequential slide in revenue to about \$311.6 million, from more than \$319 million during the previous quarter. The company's total number of access lines in the first quarter of 2009 was about 8.8 percent lower than in the first quarter of 2008, though this figure is in line or only slightly above average line loss among independent telcos.

For more:

- *The Concord Monitor* has this [report](#) [1]
- Here's the FairPoint [press release](#) [2]

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- [The blame for FairPoint's transition problems is spreading](#) [3]
- [FairPoint had hoped for normal operations by next month](#) [4]

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- [4] <http://www.fiercetelecom.com/story/fairpoint-expects-normal-new-england-operations-june/2009-03-26>

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Portland Press Herald Maine Sunday Telegram

FairPoint loses lines in northern New England

Other landline companies have reported a similar first-quarter rate of loss.

The Associated Press

May 6, 2009

PORTLAND — FairPoint Communications saw its number of phone access lines fall a relatively modest 1.8 percent in northern New England in the first three months of the year, even as subscribers experienced customer service, billing and e-mail problems.

In its quarterly earnings report Tuesday, FairPoint said the number of residential and business access lines in Maine, New Hampshire and Vermont fell by 20,315 to just under 1.1 million. The losses came as thousands of customers in Maine, New Hampshire and Vermont reported problems after FairPoint switched over from Verizon's computer systems. Last year, FairPoint paid \$2.3 billion for Verizon's land lines in the three states.

For the quarter, FairPoint reported that it lost \$8.8 million on \$311.6 million in revenue.

North Carolina-based FairPoint operates phone companies in 18 states, with most of its access lines in northern New England.

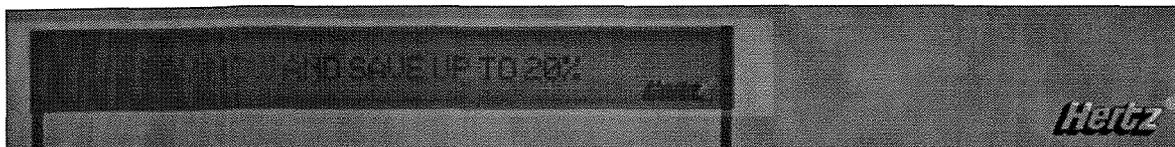
Other telecommunications companies have also been seeing a decline in access lines as customers switch to cell phones and get rid of secondary phone lines.

Verizon Communications' wired residential and business access lines dropped 2.6 percent in the first three months of the year, to just under 35 million. CenturyTel Inc. of Monroe, La., which is similar in size to FairPoint, reported its number of access lines fell 1.5 percent for the quarter.

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Article published on May 06, 2009

FairPoint's execs collect big

Amid service calls, chief receives 30 percent raise

By Chelsea Conaboy
Monitor staff

May 06, 2009

In the same month that the state Public Utilities Commission received an unprecedented number of complaints from FairPoint Communications customers, top executives at the company received performance-based bonuses.

Related articles:

[Phone access lines fall 1.8 percent \(5/6/2009\)](#)

President Peter Nixon received about \$50,000. Top executive Gene Johnson, board chairman and chief executive officer, received \$83,862 and a 30 percent raise last year. According to a company filing submitted April 14 with the federal Securities and Exchange Commission, the bonuses were earned in 2008 but paid in March of this year.

Those bonuses were in addition to "transaction incentives" paid to the executives after the company purchased Verizon's landline network in New Hampshire, Maine and Vermont. Other executives also received considerable raises.

Meanwhile, numbers released last week show just how bad things got for FairPoint customers in March.

The state sets a service guideline for the company to answer 80 percent of calls to its customer service centers within 20 seconds. In March, just 2 percent of calls to the consumer and business call centers were answered in time, according to a "stabilization plan" submitted by FairPoint to the Public Utilities Commission on March 31.

Customers calling the repair center had better luck. Twenty-four percent of calls on weekdays and 84 percent on weekends were answered in the allotted time.

Many customers were giving up after long holding times. During the week ending March 27, 59 percent of calls to the consumer call center, where the average wait time was 15 minutes, were abandoned. The business call center saw similar results, according to an April 17 stabilization plan.

The numbers were originally redacted from the public version of the reports but were released last week after the Office of the Consumer Advocate pressed for them to be made public.

FairPoint purchased the landline networks in the three states for \$2.4 billion last March. It took over operations of those networks from Verizon at the end of January, four months behind schedule. Since then, the company has faced sharp criticism from frustrated customers and scrutiny from regulators.

Rose Cummings, FairPoint vice president for corporate communications, said the timing of the bonuses and the service troubles are "an apples and oranges kind of thing."

"It's just irresponsible to try to connect the two," she said.

Cummings said the bonuses were decided on by the board of directors in January based on performance measures laid out last year.

Whether or not the bonuses were scheduled before the company's trouble, Consumer Advocate Meredith Hatfield said she is frustrated by them. And she thinks FairPoint customers and employees, who are working overtime to fix the problems, should be frustrated, too.

"For (the board of directors) to be paying out that kind of compensation to the people who seem to be having a problem getting the company back on track is disappointing," she said.

The "transactions incentive" awarded to Johnson, the top executive, was \$150,000. Nixon received \$100,000. Those bonuses were paid in two parts, in January 2007 and May 2008.

When the company closed on the purchase from Verizon, Johnson received a 30 percent salary increase to \$600,000, according to the federal filing. Other top executives, including Nixon, received an average increase of 22.8 percent.

Cummings said the board of directors compensation committee determines changes in salary by comparing the company with others of similar size and with others in the industry. She said it also receives help from a consultant. Johnson's salary increase was due, in part, to the fact that the company grew fivefold in size when it purchased Verizon's network, she said.

Despite the salary increases, some FairPoint executives saw their total earnings cut by as much as half. Johnson's bonus and stock awards were about one-third of what he received in 2007.

His total earnings last year were more than \$1.2 million. Nixon's total earnings increased 5.4 percent to \$820,586.

The company has said that its problems are due in large part to trouble with the systems that now run the network. It had to build 60 new systems to replace the 600 systems Verizon was operating, which weren't included in the sale.

Spokeswoman Jill Wurm said the company is working to improve wait times and other measures of service.

"We're certainly seeing trending in the right direction," she said. "Some are moving ahead quicker than others."

This article is: 50 days old.

This is a printer-friendly version of an article from the Concord Monitor at <http://www.concordmonitor.com>.



Article published on May 06, 2009

Phone access lines fall 1.8 percent

The Associated Press

May 06, 2009

FairPoint Communications saw its number of phone access lines fall a relatively modest 1.8 percent in northern New England in the first three months of the year even as subscribers experienced customer service, billing and e-mail problems.

In its quarterly earnings report yesterday, FairPoint said the number of residential and business access lines in Maine, New Hampshire and Vermont fell by 20,315, to just under 1.1 million.

The losses came as thousands of customers in Maine, New Hampshire and Vermont reported problems after FairPoint switched over from Verizon's computer systems. FairPoint last year paid \$2.3 billion for Verizon's land lines in the three states.

For the quarter, FairPoint reported that it lost \$8.8 million on \$311.6 million in revenue.

North Carolina-based FairPoint operates phone companies in 18 states.

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[FairPoint's execs collect big](#) (5/6/2009)

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FairPoint at Fail Point? Problems Plague Crucial Telecommunications Company

Local Matters

By Kevin J. Kelley [04.15.09]

FairPoint Communications [1], Vermont's largest provider of landline telephone service, is reeling from technical breakdowns and financial distress, causing some analysts to question whether the company can survive.

These skeptics may feel entitled to a "we-told-you-so" attitude. They warned last year that state regulators were making a mistake in approving FairPoint's \$2.3 billion acquisition of Verizon's landline and Internet business in Vermont, Maine and New Hampshire.

Slapped with an ultimatum from Vermont's Public Service Department [2] to clean up its mess by June 1 or ax its top executives, FairPoint acknowledged last week in a document sent to the department that "we are not servicing some of our customers at an acceptable level, and we're not seeing improvement in some of our service levels quickly enough."

A twice-postponed switchover from Verizon [3]'s computer systems to FairPoint's, finally carried out in February, has had a chaotic outcome for thousands of the company's northern New England customers. The transfer has proved "a fundamental failure," in the view of Vermont Public Service Commissioner David O'Brien. FairPoint says its customer service center has been overwhelmed by three times the normal number of queries and complaints, with some 350,000 calls logged in March alone. Many of the callers have endured long waits, says FairPoint Vermont spokeswoman Beth Fastiggi.

Ironically, the company's customers cannot check their billing status online unless they first contact FairPoint by phone to set up an electronic account.

Billing disorders account for most of the calls, says Fastiggi. Some customers are complaining that they received their March bill prior to February's or have gotten no bills at all, while others point to errors in FairPoint's charges. And this is only the latest snafu. Last September, a malfunction in FairPoint's system resulted in a two-hour outage of the 911 emergency line in northern Vermont. Hundreds of homes in southern Vermont were left without wired phone service for days in December due to slow repairs of lines downed in an ice storm.

The February "cutover" from Verizon's 600 software programs was an enormously complex undertaking, notes a consulting firm retained by regulators to monitor FairPoint's performance. "Some service degradation for customers was inevitable, no matter how much care was taken," says an April 1 report compiled by the Pennsylvania-based Liberty Consulting Group [4]. "Nevertheless," the consultants add, "the magnitude of the disruptions and the impact on the customers from FairPoint's systems transition has been much larger than anticipated."

Liberty's report expresses doubt that FairPoint will be able to keep its promise to "reach a normal business operating environment" by June. The report points out that FairPoint's "senior leadership has continued to make statements that understate problem severity and overstate success in fixing them." Rectifying operations may require "permanent executive level change" in the North Carolina-based telecom company, the Liberty group conjectures.

Such a possibility was also posed a day later by the Vermont Public Service Department. It called for FairPoint to adopt a "stabilization plan" that would entail the removal of the company's top New England executives if substantial progress on customer-service issues isn't made by June 1. O'Brien, FairPoint's chief regulator in Vermont, says that, while he has no power to force such a purge, "there are a variety of ways we can apply leverage."

O'Brien says he's "absolutely disappointed with how things are going at FairPoint. We will take every step we can to protect the state's long-term interests."

In its response to the Public Service Department's threats, FairPoint says it is taking measures to ensure that it "returns to normal

business intervals” by the end of June.

State regulators should have seen this train wreck coming, says Mike Spillane, business manager for the Vermont local of the International Brotherhood of Electrical Workers [5]. The leader of the union representing many of FairPoint’s 560 workers in Vermont says “some people in the state of Vermont deserve to lose their jobs” for failing to gauge the risk of approving the transfer to a small company that more than quintupled in size as a result of acquiring Verizon’s 1.8 million landlines and Internet connections in northern New England. “They have jeopardized the economy of the state and lots of good-paying jobs,” Spillane says in regard to the Vermont regulators.

The union leader “conveniently” forgets that Verizon was not offering satisfactory service or making needed investments when it operated most of Vermont’s landlines, O’Brien says in response to this charge. He points out that the sale to FairPoint was rigorously reviewed by not just Vermont’s regulators, but those in Maine and New Hampshire as well.

FairPoint’s financial condition appears dire to the Standard & Poor’s Ratings Service. In an assessment last month, the Wall Street monitoring firm drove its credit rating for FairPoint further into the junkyard. Noting that FairPoint’s stock has lost 94 percent of its value since September — closing on Monday at 77 cents a share — Standard & Poor’s offered a gloomy view of the company’s long-term prospects.

O’Brien agrees that the company is “potentially in jeopardy” of going under. If FairPoint does have to declare bankruptcy, its Vermont customers would be protected as part of a court-sanctioned reorganization plan, O’Brien says. Asked if that might still involve disruptions in phone service, O’Brien replies, “There are disruptions now.”

Like other companies in the legacy landline business, FairPoint is losing thousands of customers to wireless competitors. It inherited roughly 1.3 million residential and business access lines in northern New England from Verizon and saw that total drop by about 150,000 during 2008. The possibility of ongoing losses of similar magnitude raises “valid concern” about FairPoint’s chances for survival, says Bill Shuttleworth, director of the Vermont Telecommunications Authority [6].

But Shuttleworth, who himself no longer subscribes to a landline service, isn’t ready to predict doom for FairPoint. “The big question is whether the problems they’re encountering are systemic or just routine bugs,” he suggests.

Local labor leader Spillane also refrains from drawing apocalyptic conclusions. He notes that financial experts retained by his national union calculate that FairPoint has about \$200 million in hand and thus “aren’t too worried” about the company’s immediate outlook. Standard & Poor’s shares that sanguine short-term view.

“The positive side is that there are businesses out there who want to do business with us,” Spillane says. And he sees the company “getting a hair better every day” as it struggles mightily to solve its customer-service problems. “FairPoint can still succeed,” Spillane says, “but it’s not going to be easy.”

Source URL: <http://www.7dvt.com/2009fairpoint-fail-point-problems-plague-crucial-telecommunications-company>

Links:

[1] <http://www.fairpoint.com/>

[2] <http://publicservice.vermont.gov/>

[3] <http://www22.verizon.com/>

[4] <http://www.libertyconsultinggroup.com/>

[5] <http://www.ibew.org/>

[6] <http://www.telecomvt.org/>

US Fed News

LOCAL STATE REPS. MILLER, PIEH ANNOUNCES REBATES FOR FAIRPOINT E-MAIL OUTAGES

415 words

13 April 2009

US Fed News

INDFED

English

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AUGUSTA, Maine, April 2 -- Maine State Rep. Elizabeth S. Miller, D-52nd District, issued the following news release:

Thousands of FairPoint Communications customers in Maine who lost e-mail service during the transition between telecom providers will now see credit rebates, say local State Reps. Lisa Miller and Wendy Pieh.

FairPoint officials agreed to the refunds at a March 12 meeting of the Legislature's Utilities and Energy Committee.

Rep. Herb Adams of Portland, who is the longest serving member of the Utilities Committee, proposed the rebate as a goodwill gesture after thousands of Maine customers experienced e-mail troubles during the switch-over from Verizon to FairPoint services during January and February 2009. About 20,000 customers some 7 percent of FairPoint's total customer base may have experienced problems in the e-mail migration between companies, said company officials.

Customers who lost service for a week or more will get one month's credit on their next billing. Customers who lost service for a week or less will get a \$10 credit. The refunds will apply to both commercial and residential accounts, and FairPoint agreed to accept customers' word on the outages if they file a complaint with the company, said Adams.

"There have been many frustrated customers in my district," said Miller. "FairPoint is making a good faith effort to reach out to them, and I applaud them for doing that."

The transfer of service from Verizon to FairPoint is the largest conversion of its kind in Maine history and the first to involve virtually every kind of telecommunication service, from e-mail to land lines. High call volumes and long waits on hold plagued FairPoint's customer service lines during several weeks of the e-mail transfer, forcing FairPoint to open extra technical assistance lines for several weeks. FairPoint posted a net loss of \$76 million in the last quarter reporting.

"At the end of April, Verizon will stop forwarding e-mail to FairPoint business customers," said Pieh. "After the trouble experienced during the first change over, we have been promised that the next transfer will be closely monitored."

Customers can report e-mail outages for refunds at FairPoint's customer service line at 1-800-400-5568 or can call Miller at 1-800-423-2900 or 549-7171 for assistance. For more information please contact: Sarabjit Jagirdar, Email:- htsyndication@hindustantimes.com

Kyle Leighton, 207/287-1433.

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Article published on April 12, 2009

Fairpoint is in a race for its very survival

Monitor staff

April 12, 2009

FairPoint Communications, the little company that said it could run Verizon's landline business in northern New England, is struggling. Complaints about service and billing pour in like arrows during a medieval siege. Earlier this month, some 13,000 FairPoint customers in Maine, New Hampshire and Vermont with service orders were still on hold - some for a month or more.

As politicians are wont to say when things go wrong, mistakes were made. Mistakes by the consultants who said FairPoint was ready to take over, mistakes by the company that developed its computer systems, mistakes by FairPoint management, and perhaps too, mistakes by the regulators in three states who gave FairPoint the go-ahead.

But the reality is, FairPoint is the only game in town. No one else in the wireless age wanted to take over landlines serving a largely rural population. And despite its flaws, FairPoint is trying. Most of its internet-related problems have been solved, the company has added a big contingent of people to decrease the backlog of orders for service changes, and it's hiring two more consulting companies to help it improve service.

Success for FairPoint is predicated on giving its customers not just better service than they were getting from Verizon, but services that Verizon wasn't providing. That means offering customers an affordable package of telephone, television and broadband services before those customers find alternatives. That's proving to be a big challenge, and FairPoint's plan to offer internet service via high-speed DSL telephone lines may never satisfy customers who have access to cable service.

On Thursday, the Public Utilities Commission ordered FairPoint to submit, among other information, a detailed management chart showing who was responsible for accomplishing what and to outline the steps the company is taking to "return to acceptable levels of service."

In the long run, except in the hinterlands, acceptable won't be good enough for long. Thousands of FairPoint customers who had other options have dropped their landlines or switched to companies that can provide the big three services via broadband. Many did so after casting a parting shot FairPoint's way, which is understandable. But until even better technology becomes available at an affordable price, the millions of miles of copper wire overhead and underground that have connected far-flung people since the dawn of the telegraph will be needed. Telephone service, for most, is a necessity. So the big question is not whether FairPoint can provide acceptable service by June. It's how to serve the people who live in areas too remote to make it profitable to put up a cell phone tower or run high-speed cable.

If FairPoint can't make a go of it, someone will still have to make sure Aunt Minnie out in the sticks can call someone when she's sick. Rural telephone service has always been subsidized by urban residents who pay more than it costs to serve them because otherwise, rural residents wouldn't have phones and urbanites couldn't call them. Someday a few cents on cell phone bills might do the same thing.

FairPoint's problems are frustrating customers and regulators alike. But they are problems caused by a world whose technology is changing rapidly and for the better. And if FairPoint doesn't solve them, who will?

This article is: 74 days old.

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Article published on April 12, 2009

What's the role of PUC?

Controversies spotlight the N.H. utilities panel

By CHELSEA CONABOY
Monitor staff

April 12, 2009

It's been years since the work of the Public Utilities Commission has been so prominent in headlines.

FairPoint Communications is performing poorly as the new owner of most of the state's landline network. Residential and business customers are clamoring for help from the commission, which approved the \$2.4 billion sale of Verizon's network last year.

The commission's decision not to review a \$457 million upgrade to Public Service of New Hampshire's Bow coal plant is being challenged before the state Supreme Court.

The three governor-appointed commissioners are charged with protecting the wallets and the best interests of utility customers. The attention that these two cases have brought - particularly the loud complaints of FairPoint customers - has some asking if they've been tough enough.

Chairman Tom Getz declined to comment for this story, saying it would be imprudent to talk about pending cases before the commission.

But some experts say the commission is a creature of the Legislature, required to take its direction from lawmakers, and has acted rightly in both cases according to state statute. Others say the commissioners missed opportunities to be more assertive - either in failing to foresee problems with the FairPoint deal or in refusing to take a step that could change the state's energy future.

Sale to FairPoint

The commission faced a difficult choice in considering whether to allow FairPoint to purchase Verizon's landline network in New Hampshire, along with those in Maine and Vermont.

Together, networks in the three states were five times bigger than what FairPoint had been managing. The sale posed huge questions about whether the company was financially and technically capable. But Verizon had made it clear that it did not want to continue operating in northern New England and would not invest in the technology upgrades the region needed.

Former commissioner Nancy Brockway, a lawyer who has represented labor unions that opposed the sale, had argued on behalf of her clients that the sale was financially risky. But, she said, forcing Verizon to stay in New Hampshire was like trying to "push a wet noodle."

"I don't think (the commissioners) had a very good set of choices to make," she said.

Two of New Hampshire's commissioners approved the sale, with conditions. Commissioner Graham Morrison was the only one in the three states to disagree. Morrison said the fact that the company promised to expand the state's broadband internet access - something Verizon wouldn't do - didn't outweigh the risks.

"Verizon and FairPoint are asking us to replace a financially healthy, well-resourced and highly experienced utility that is ultimately national if not global in scope with an infinitely smaller, highly speculative and fundamentally inexperienced venture," Morrison wrote in his dissent.

At a status conference, earlier this month Morrison sharply criticized monitoring groups involved in the transaction. He didn't say, "I told you so."

How well have the commissioners monitored the transition since the sale? It may be too soon to tell.

State officials are focused more on trying to stabilize a flagging company than on delving into why the transition has gone so badly. The commission issued a letter last week requiring the company to file nine reports by the end of this week, all focused on how it plans to improve service and management.

Some of the frustrations that Consumer Advocate Meredith Hatfield has had with the commission's handling of FairPoint have been nuts-and-bolts issues. Reports filed by the company and other parties, for example, often aren't treated as formal filings, with copies sent out to the service list. That means her office must work harder to track the case, she said.

Others issues have broader implications. FairPoint executives have met in recent months with regulators in all three states, but there has been no public record filed of what transpired. Even if the subject of the meetings is confidential, her office is a party to the case and should have access, she said.

"What have they been saying, and what steps have been taken up to this point?" she said. "Did they see this coming?"

Hatfield said officials in all three states could have mitigated some of the damage by further postponing the cutover, or when the network was transferred from Verizon's systems to FairPoint's newly-built computer systems. That happened at the end of January, four months later than originally planned.

The delay cost FairPoint \$49 million. It cost Capgemini, the company hired to build and test FairPoint's new computer systems, about \$15.5 million.

Both companies would have owed more if cutover were delayed further. Hatfield said that gave Capgemini incentive to declare that the systems were ready even if they weren't.

When the commissioners approved cutover, they knew that more work was needed to test systems that communicate with FairPoint competitors who lease portions of the network to serve their own customers. The commissioners received monitoring reports highlighting that issue before it approved cutover.

Today, the biggest complaints are from those competitors. One such company has asked the commission to grant reparations for lost revenue due to FairPoint's poor service.

"Could we have prevented some of this by just waiting on cutover?" Hatfield said.

The scrubber

In 2006, the Legislature mandated that Public Service of New Hampshire install a scrubber on its coal plant in Bow to capture emissions of mercury, a neurotoxin. The project was expected to cost \$250 million. Last summer, the company said the cost had risen 83 percent to \$457 million.

While the public debate escalated into whether the 40-year-old plant should be allowed to continue operating, the commission ruled that it didn't have the authority to review whether the scrubber was in the public's interest because the Legislature had already determined it to be. Hatfield and lawyers representing environmental groups, commercial ratepayers and PSNH competitors have appealed to the Supreme Court.

They say the Legislature's mandate was based on the \$250 million estimate, and the project should be reviewed at its higher cost. They also point to a law related to deregulation that requires the commission to review any modification of a PSNH plant.

The case has raised a broader issue: Who, if not the Public Utilities Commission, is charged with charting the state's energy future?

Don Kreis, the commission's former general counsel and now an assistant professor at Vermont Law School, said lawmakers have traditionally been stingy in the amount of power they give to the commission.

He said the scrubber bill could have been written more generally, asking commissioners to find the best way to cut mercury emissions at the plant. Then, they could have considered the cost and benefit of a full range of options, including closing the plant.

"These are enormously complicated, highly technical issues that require thorough deliberation, a voluminous record and expert judgment," Kreis said. "In a Legislative hearing room, the political vicissitudes of the day loom a little bit too large."

Harry Judd, a Bow selectman and a lawyer who works on electricity generation projects across the country, said the Legislature is charged with setting public policy and the commission is charged with following the law.

"The Legislature had established what was to be done, and that did not involve, two or three years later, putting the project on ice," he said.

During the decades of debate over Seabrook Nuclear Power Station, the bankruptcy of PSNH and deregulation, the commission looked frequently to the Legislature to settle the most highly contentious issues.

Former Chairman Doug Patch said the commission is designed to react to what comes before it, not initiate policy debate. Commissioners traditionally show "deference to the Legislature," he said.

Debra Howland, executive director of the 70-person commission staff, said the role of the commission has changed some in recent years. The commission has increasingly helped to shape policy.

Commissioners testify before the Legislature on technical and legal issues when called upon. They help with state emergency management planning. They sit on various regional advisory boards, including one looking at transmission problems in the North Country.

The commission just created a new Sustainable Energy Division that oversees two large pots of money aimed at increasing energy efficiency in homes and businesses and decreasing emissions of greenhouse gases. The Legislature gave the commission general terms of how that money should be spent, but the commission is filling in the details.

But, Howland said, "It's appropriate that important policy decisions be made by officials elected by the people. That's how our government is formed."

This article is: 74 days old.

REGIONAL -- FairPoint under fire from regulators, consultant for service lapses

1020 words

6 April 2009

TR's State NewsWire

TRSN

English

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The consultant monitoring FairPoint Communications, Inc.'s takeover of Verizon Communications, Inc., landline and Internet business in Maine, New Hampshire, and Vermont is skeptical that the company will be able to resolve its customer service and billing problems by the end of June, saying in a new report that it will take "considerable time" for FairPoint to resume a normal business operating environment in northern New England.

While the so-called "cutover" from Verizon's systems was a success, FairPoint has been dogged by customer complaints about service orders, billing errors, and problems accessing personal e-mail accounts.

In the latest status report from Liberty Consulting Group, the firm blasted FairPoint executives for failing to plan accordingly.

"Senior leadership has continued to make statements that understate problem severity and overstate success in fixing them," Liberty said in the report. "This behavior began with an overly optimistic and unrealistic cutover schedule that was frequently revised prior to FairPoint's notice of cutover readiness in late November and has continued since cutover with premature announcements that problems have been fixed or will be fixed 'by next week.'"

Further criticizing management, the firm said FairPoint execs have been "extremely slow" to identify "problem breadth and root causes," to recognize the "nature and level of required response," and to "develop coherent, comprehensive plans." In particular, Liberty took issue with FairPoint's initial response on March 24 to requests from the Maine Public Utilities Commission for a "stabilization plan." Ultimately, the firm found the filing "incomplete and inadequate."

"FairPoint appears to be creating this plan in response to regulators rather than developing it proactively to respond to and resolve the current crisis, as would be expected from a mature telecommunications provider of FairPoint's size and scope," Liberty said. "Given the extent of the current problems and the length of time it will take to resolve them, FairPoint has given insufficient attention to implementing measures to mitigate the impact of the problems on retail and wholesale customers."

In its report to Maine regulators, FairPoint said its call center is currently performing "below acceptable levels" due to a lack of employee proficiency with new systems and large call volumes. With additional training, the competence of call center reps has "improved significantly" since the company completed final takeover of Verizon's network, but call volumes are still high, it said. Call volumes for the last six months of 2008 averaged 151,145 a month; call volumes for the month of March are trending toward a total of 351,384 calls, it added.

The company attributed the high call volumes in part to delayed billing. One-and-a-half months of bills were sent during a three-week period, according to the company, and this high volume of bills sent out in a condensed timeframe would have, by itself, caused an increase in call volumes above normal levels, FairPoint speculated in the report.

Another reason for the high call volumes, FairPoint said, is the time it currently takes to complete orders. According to the FairPoint, the front end of its retail order process has the customer service representatives entering orders into the system; many of the orders flow through to completion, but some do not. One primary area of concern which FairPoint says has seen marked improvement is with "unsubmitted orders" -- orders that enter the system but do not move forward to the next stage. FairPoint said the number of unsubmitted orders has dropped "dramatically" during the month of March. (3/26/09)

FairPoint filed its plan with the Maine PUC on March 24 and New Hampshire Public Utilities Commission on March 31. The company was expected to submit a plan to Vermont regulators by close of business on Friday.

At a March 24 status conference meeting conducted by the Vermont Public Service Board, FairPoint was given a deadline of April 1 to file with the Vermont Department of Public Service and the Public Service Board a plan for how it will repair its systems and processes with the goal of resuming normal business operations.

FairPoint was asked to include the steps it plans to take to mitigate the impact on both retail and wholesale customers of the current problems with orders, repairs, billing, and accounts payable.

By April 8, after consulting with the DPS on FairPoint's filed plan, the company would file mutually acceptable modified plans.

In addition, FairPoint will be asked to provide daily accurate measurements of operational performance to allow the DPS to monitor FairPoint's progress. FairPoint must also provide monthly reporting of Vermont-specific and total financials of aged accounts payable, capital expenditures, free cash flow, new broadband connections, line loss, leverage ratio, and the liquidity ratio. The department will be able to audit these numbers to assure accuracy.

In the draft plan put together by the DPS, FairPoint would have remove executives if performance does not improve by early summer.

"If in the department's judgment FairPoint has failed by June 1 to meet the milestones in its recovery and mitigation plans, FairPoint must take action to correct its operations up to and including a change of FairPoint management and/or the hiring of an independent software development organization to oversee the operations of Capgemini U.S. LLC [FairPoint's integration partner]," the draft plan states.

Liberty Consulting Group, in its report, made similar recommendations. The firm said FairPoint should consider a "permanent" executive-level change. Along the lines of what was requested by the commissions in the three states, Liberty said FairPoint should produce a "realistic plan" with interim milestones for resolving the current problems and resuming normal business operations.

"FairPoint produced a first draft of a plan last week, but there is much more detail that must be added to that initial draft before it constitutes an adequate plan," Liberty said.

On Friday, FairPoint appeared before the New Hampshire PUC to explain its customer service and billing problems. (Maine PUC Docket 2007-67; Vermont PSB Docket 7270; New Hampshire Docket 07-011) - Paul Barbagallo, paul.barbagallo@wolterskluwer.com

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Anger rings off the hook

GARRY RAYNO; New Hampshire Union Leader

807 words

4 April 2009

New Hampshire Union Leader

XUNL

01

English

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By GARRY RAYNO

New Hampshire Union Leader

CONCORD -- FairPoint Communications Inc. officials acknowledged yesterday the company has not even met its own expectations for phone service in New Hampshire, let alone the demands of others.

At a state hearing yesterday, regulators said they want that to change immediately.

"To put it simply, FairPoint has to do more, has to do it faster and has to do it better to prevent further harm to customers," Public Utilities Commission attorney Rob Hunt said.

During the Past three months, the PUC has received what it terms an unprecedented number of complaints about the company, topping 1,400 in March alone.

FairPoint President Peter Nixon told commission members and a packed PUC hearing room that the utility is taking steps to rectify problems with billing errors, service delays and system errors. He said he expects the problems to be resolved by June 30.

Additional staff for call centers will be hired and trained, engineers reassigned and consultants hired to review the company's processes and leadership, he said.

FairPoint has been upgrading its telecommunications and data systems to include the land lines and Internet network it purchased from Verizon 10 months ago. The switchover began in January.

FairPoint purchased Verizon's 1.5 million telephone land lines in New Hampshire, Maine and Vermont for \$2.4 billion. Before that, the North Carolina-based company owned about 300,000 land lines.

Late in yesterday's hearing, Commissioner Graham Morrison took to task FairPoint and its partner in the switchover, Capgemini U.S. LLC. Morrison was the only utility regulator in the three states to vote against Verizon's phone line sale to FairPoint.

Capgemini, which FairPoint calls its lead integration partner, should have known better than to attempt the switchover when it did, Morrison said, adding the company has put the economic health of FairPoint at risk.

A report issued Wednesday by the commission's consultant, Liberty Consulting Group, said FairPoint "senior leadership has continued to make statements that understate problem severity and overstate success in fixing them."

Both the PUC staff and state Consumer Advocate Meredith Hatfield cited the report in urging FairPoint to act rapidly. Hatfield said the Office of Consumer Affairs was "astounded" at the situation.

She continued: "We would like to know what is the plan to remedy this immediately? There are significant defects even for common retail and wholesale transactions. What about the people who need plain old telephone service? When will these be fixed? June 30 is far too late.

"I urge the commission to take action now before someone's life is lost or some other very serious event occurs that everyone will regret," Hatfield said.

Hunt outlined some areas where he said the company's performance was unacceptable, including its effort to properly prioritize customer needs. "That has an adverse impact and a ripple effect," he said.

Hunt said the company continues to make statements that do not coincide with information from the company's customers.

One customer, Caren-Marie Bowman of Concord, described her wait to have a phone installed after having moved to the city. She had medical problems that required she be able to communicate with her family and medical providers, she said.

"No one, whether disabled or able-bodied, should be without basic phone service. I would hate to see a real medical emergency arise," Bowman told the commission.

Consultant Gary Bushey of Sanbornville lectured FairPoint's leadership on how to run its business, particularly its service sector.

"I spent in excess of 47 hours talking to your service people, and a lot of the information they gave me was not right," he said.

Wholesale customers or competitive local exchange carriers also lined up to complain about FairPoint's service.

Paul Olenik, One Communications director of regional implementation, said that since Jan. 9, his company has placed more than 1,000 orders for service with FairPoint and only 55 percent have been completed.

"We are losing orders and losing revenue because of FairPoint," Olenik said.

Donald Pearson of Londonderry told the commission that he received a bill this month with a due date of March 18. It arrived about two months after his last bill.

His many calls to customer service resulted in several answers regarding the amount he owes. In one case, he said, the FairPoint representative "seemed as confused with my billing as I was," he said.

Stephen Hoffman of Mason said he had to wait 11 days for his service to be restored and spent about 24 hours on the phone to get help, a real hardship on his small computer business.

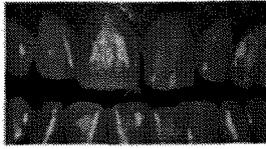
Commissioners said they would make a decision next week on what to do about the problems cited.

The Associated Press contributed to this report.

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Article published on April 04, 2009

FairPoint blasted at PUC hearing

Computer systems company targeted

By Chelsea Conaboy
 Monitor staff

April 04, 2009

No part of FairPoint Communications escaped criticism yesterday, as the Public Utilities Commission heard testimony about how the company is struggling to manage the state's landline network.

Residential customers complained about days spent on hold, intermittent service and confusing bills.

Companies that lease portions of the network to serve their own customers complained about work orders that go unfilled, not being paid for work they do for FairPoint, and unhelpful or unresponsive FairPoint employees.

But the harshest words of the day were directed not at FairPoint executives, but at the company that built the new computer systems now running the network - or struggling to.

Commissioner Graham Morrison said FairPoint can't work as expected because the systems built and tested by technology company Capgemini are failing.

"What you've done is negligent," Morrison said to Dee Burger, a Capgemini project manager. "You have placed the economic health of a large corporation and three states in jeopardy. This has made newspaper headlines across the nation. You have tarnished the image of these three states. Your company is responsible for that."

Morrison was the only commissioner in Maine, New Hampshire and Vermont who voted against the \$2.4 billion sale of Verizon's network in those states to FairPoint last year.

FairPoint physically took over operations Jan. 30, transferring Verizon's network and customers to its own computers. Yesterday's hearing was called after weeks in which the commission received an unprecedented number of complaints from customers and the company showed signs of financial trouble.

Morrison also upbraided the Liberty consulting group hired by the commission to determine when FairPoint was ready for the network transfer, called cutover, saying many of the current problems should have been foreseen.

FairPoint this week filed a "stabilization plan," at the commission's request, with the goal of getting back to "business as usual" by June 30.

Robert Hunt, hearings examiner for the commission staff, said that's not good enough.

"The mere fact that FairPoint had to be asked to create this plan before it did so is by itself enough to instill doubt of FairPoint's overall approach to its process," Hunt said.

FairPoint President Peter Nixon said the company has "fallen short." FairPoint is hiring two more consultant groups to help fix it, he said.

Another 30 service representatives will be trained next week and onboard to help alleviate overwhelmed call centers, he said. About 55 percent of calls are related to billing issues, but calls are beginning to subside, Nixon said.

Steven Rush, senior vice president for customer care, said call volume had decreased over the two prior days.

"There is the potential for this week (since cutover) to be the first week that calls have diminished," he said.

Nixon said the company is adding an interactive voice system to its call center menus to allow callers to do simple operations, such as checking their balance, and another system that can send automated messages to customers with notices about possible billing and service problems.

As of yesterday, Nixon said, there were 13,000 orders for new or changed service from retail and wholesale customers that the company is late in addressing. Six thousand had been in the queue for 10 days or less. More than 1,300 had been there for 30 days or more.

"It is causing significant inconvenience to our customers," Nixon said.

Consumer Advocate Meredith Hatfield said she is concerned by a Liberty report released April 1 that said the company leaders frequently underestimate their problems, overestimate their ability to handle them and have an "ad hoc" approach to management.

"How do we know that they are not continuing that behavior when they appear before the commission today?" she said.

Hatfield said she is also alarmed by reports that vendors were not being paid what they are owed, calling it "a harbinger of worse things to come." She echoed Hunt in saying FairPoint needed to fix its problems before June.

Four retail customers spoke during the hearing. One was Caren-Marie Bowman, a 57-year-old Concord woman with asthma and diabetes, who was profiled in the Monitor last month because she couldn't get phone service set up in her new apartment.

Due to her medical history, she needed an emergency line. Bowman said after the article ran, she got help. But since then, service was disconnected twice for days at a time. She's connected now, but she said, "my family was in distress."

"I'd hate to see there be a real medical emergency arise and then someone end up suffering and have a lawsuit against FairPoint," Bowman said.

Stephen Hoffman of Mason said he spent 24 hours on the phone with FairPoint trying to get the internet connection that he depends on to run his small computer networking business running again. It was out for 11 days, he said.

Hoffman said the staff he dealt with was "light on training" and the company seems to react to problems instead of managing its business.

Don Tremontozzi of the Communication Workers of America Local 1400 union said he thinks the problem is not the workers but the systems. He pointed a finger at Capgemini.

"Simple orders are just not making it through the system," he said.

He said the union workers are working 17 hours of mandatory overtime each week, plus two or three additional voluntary hours.

"We're getting tired," he said. "I would say that June 30 is too far away."

FairPoint competitors that lease a portion of the company's network to serve customers had a long list of complaints.

The largest of these in New Hampshire, BayRing Communications, has filed a complaint asking that the commission grant it reparations for lost revenue due to FairPoint's poor performance.

Attorney Scott Sawyer said the company has made dozens of requests to FairPoint to set up "T-1" lines, or large circuits that provide internet and telephone service to businesses. Typically, those are filled within 10 days. FairPoint notified the company that it could take up to three weeks during cutover. Sawyer said none were connected within FairPoint's own timeframe.

Many of the customers who need the new lines are clients who are trying to transfer out of FairPoint service to BayRing, President Ben Thayer said during a break in the proceedings.

He said FairPoint is "holding onto their customer base by not processing these orders."

Commission Chairman Thomas Getz said the commission will decide next week what the next step should be. Options include levying fines, mandating changes to the company's stabilization plan and requesting a change in leadership.

This article is: 82 days old.

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FAIRPOINT'S PROBLEMS

505 words

4 April 2009

Bangor Daily News

BNGR

All

10

English

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State regulators are right to keep a watchful eye on [FairPoint Communications](#) and its troubled takeover of Verizon's landline services in Maine. The threat of fines from the Public Utilities Commission, however, may be a less effective tool to fix FairPoint's problems than the threat of lost revenues.

The company has acknowledged serious service problems and has put in place a plan to fix them, as required by state regulators. FairPoint also acknowledged that the ongoing problems have cost it money and customers. Worse, the problems have delayed the introduction of new products and services. That should be enough incentive for the company to hire the necessary personnel and make the technical upgrades needed to smooth the transition.

When FairPoint announced plans in January 2007 to take over Verizon's landline operations in Maine, New Hampshire and Vermont, many worried that the small company could not handle the job. After reviewing the takeover proposal, staff at the Maine PUC warned that it was too risky. Utility regulators in the three states ultimately approved the takeover, but with dozens of conditions attached.

Completion of the takeover was delayed until regulators were convinced that FairPoint was ready to handle the transition. Verizon's systems were fully transferred to FairPoint on Feb. 9. Problems began immediately. As the company understated in the nine- page stabilization plan it filed with the PUC last week: "As we started to utilize our new systems to run the business, we encountered some areas that did not work as well as anticipated."

A major problem was that customers could not get through to service centers and had long waits before getting assistance. Many customers had trouble with the e-mail conversion. Bills were sent out late and there were long waits to get new services, which increased calls to the service centers.

While some of these may appear to be what are called "back office" problems, in an area where there is little choice of phone service providers forcing a business or residential customer to wait weeks before getting a phone line activated is bad business at best, dangerous at worst.

FairPoint says it aims to have all the problems resolved by June; a consultant monitoring the takeover for the three New England states warned that this may be optimistic.

It is easy to see how the company, which went from a small, regional entity to the nation's eighth largest communications company, became overwhelmed. In the last three months of 2008, for example, FairPoint averaged about 150,000 calls per month to its consumer call center. In March, it received more than 350,000.

These are just the types of problems that the company and regulators should have anticipated and been prepared for, especially because FairPoint had a record of customer service problems in Maine well before the takeover.

Since it didn't and wasn't, regulators must keep the pressure on FairPoint to ensure it meets the service standards required as part of the takeover.

Document BNGR000020090406e5440001q

**Vermont wants improved service from telecom firm**

137 words

3 April 2009

04:53

Associated Press Newswires

APRS

English

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BURLINGTON, Vt. (AP) - Three New England states have been pushing FairPoint Communications Inc. for greater accountability for what state officials deem lax customer service.

But Vermont may be going further than its regional counterparts, calling for management change if customer service does not improve.

Maine and New Hampshire are also calling on the Charlotte, N.C., company to step up its performance.

Vermont's Public Service Department says it plans to keep a watchful eye on FairPoint's financial and customer service performance.

And if the agency deems there to be no improvement by June 1, it would push for new management to take over.

FairPoint purchased northern New England assets from Verizon, but has struggled since the switch.

Information from: The Burlington Free Press, <http://www.burlingtonfreepress.com> [<http://www.burlingtonfreepress.com>]

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Document APRS000020090403e543001a8

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**FairPoint executives told to fix problems faster**

538 words

3 April 2009

18:23

Associated Press Newswires

APRS

English

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CONCORD, N.H. (AP) - New Hampshire's top consumer advocate demanded Friday that FairPoint Communications act faster to solve its customer service problems and warned of dire consequences if regulators do not act immediately.

Meredith Hatfield, the state's consumer advocate, said the Office of Consumer Affairs was "astounded" at the situation.

"We would like to know what is the plan to remedy this immediately?" Hatfield said to FairPoint executives appearing before state regulators. "There are significant defects even for common retail and wholesale transactions. What about the people who need plain old telephone service? When will these be fixed? June 30 is far too late."

FairPoint bought Verizon Communications' landline telephone and Internet business in Maine, New Hampshire and Vermont a year ago and switched to its own computer systems Jan. 30. Problems began immediately. Hatfield's office received 700 complaints in February and 1,400 in March.

Peter Nixon, president of FairPoint, acknowledged customers' frustration. "Service is unacceptably low," he said. But he said the company has made progress.

Nixon and other FairPoint executives presented their plan for dealing with overwhelmed call centers, a backlog of orders, billing errors and other problems to the New Hampshire Public Utilities Commission.

Nixon said the company is hiring more workers and bringing technicians in from the field to catch up on the backlog. The company is also working on long-term solutions, he said.

In addition, he said, customers can now call and get information on their bills through a computerized system, potentially avoiding long waits for an actual person.

Senior Vice President Steven Rush said he has seen a positive trend in the last day or two and this week could see the lowest number of calls since the problems began.

Some complaints involve elderly people with medical needs. For them, Hatfield said, phone service can be of life-and-death importance. And as the so-called snowbirds who spend the winter in the South return home, some may need to set up medical alert systems, she said.

Donald Pearson, of Londonderry, told the commission that he received a bill this month with a due date of March 18, 2009. It arrived about two months after his last bill.

His many calls to customer service resulted in several answers regarding the amount he owes. In one case, he said, the FairPoint representative "seemed as confused with my billing as I was," he said.

Stephen Hoffman, of Mason, said he had to wait 11 days for his service to be restored and spent about 24 hours on the phone to get help, a real hardship on his small computer business.

FairPoint has said its goal is to reach "business as usual" by the end of June.

Liberty Consulting Group, which has monitored FairPoint for the past year, called that prediction overly optimistic.

Robert Hunt, a lawyer for the Commission, said the FairPoint plan does not go far enough.

"It does not reflect the urgency of the circumstance," he said. "There is little or nothing in the plan addressing how the systems, processes and people will actually achieve their goals," Hunt said.

On the Net:

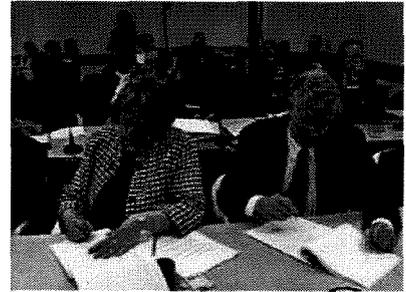
FairPoint Communications Inc. <http://www.fairpoint.com/> [<http://www.fairpoint.com/>]

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Document APRS000020090403e543001aj

WMUR.com**Customers Vent Frustrations Over FairPoint Service****Hearing Held To Examine Continuing Issues**POSTED: 5:31 am EDT April 3, 2009
UPDATED: 5:31 pm EDT April 3, 2009

Related To Story

**Video: FairPoint Promises Service Improvements**

CONCORD, N.H. -- Upset customers voiced their frustrations with FairPoint Communications at a hearing before the Public Utilities Commission on Friday.

FairPoint took over phone and Internet service from Verizon last year, and since then, it has experienced a list of problems and received what it called an unprecedented number of complaints from unhappy customers.

Criticism at the hearing ranged from not having enough staff members to not enough training of those staff members to a lack of senior leadership.

"There are far, far, far too many phone numbers," customer Steven Hoffman said. "I want one. Can you do that?"

Some customers drove more than an hour to share their frustration before the PUC and the president of FairPoint. Customers reported losing Internet or phone service, receiving botched bills and dealing with poor customer service.

Robert Hunt, lawyer for the PUC, demanded action.

"Simply put, FairPoint has to do more, do it better and do it faster to prevent further hardship to customers and businesses," Hunt said.

FairPoint took over service from Verizon on Jan. 30. Company president Peter Nixon said that of the 135,000 service orders the company has received, 92,000 have been completed.

"Service levels now are unacceptable, unacceptably low," Nixon said.

To address the backlog, Nixon promised to bring on 30 added staff to call centers by Monday. Also, two private consulting companies have been hired to look at the company's organization and leadership issues.

"We're gearing up for the end of June to get back to normal operations," Nixon said.

But some questioned if it was too little, too late.

"I would say we're getting tired," said Don Trementozzi of CWA Local 1400. "June 30 is too far away. We need to do everything we can to fix it quickly."

A letter from two state senators was sent to the PUC Friday morning that said they were concerned about the "financial health and unacceptable management of our telecommunications network by FairPoint Communications."

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Article published Apr 2, 2009

FairPoint to go before utilities commission

By CHELSEA CONABOY Concord Monitor

Barely a week goes by without a new round of complaints from FairPoint Communications customers. E-mail glitches. Double billing. Hours spent on hold with customer call centers.

This week, some received late notices on bills they had already paid.

Wednesday, the state consumer advocate said she's heard from returning snowbirds – at least one who needed to connect medical equipment to a phone line – waiting for service to be restored.

On Jan. 30, FairPoint took over operations of Verizon's northern New England network in New Hampshire, Maine and Vermont, which it purchased last year for \$2.4 billion. Since then, the company admits, service has been "substandard."

Company officials will go before the state Public Utilities Commission on Friday to explain their stabilization plan. And the commissioners will consider their options for compelling them to do better, which include levying millions in fees or requesting a change in management.

In February, more than 700 people called the commission with complaints or questions about FairPoint. In March, the calls doubled.

"It's just unacceptable," said Kate Bailey, director of PUC's telecommunications division.

In addition to e-mail glitches and problems with billing, the company has developed a backlog of people who need new service or changes to their service. Call centers have been swamped, and employees have had to adjust to using new technology. Customers have reported waiting hours – even days or weeks – for help.

In a stabilization plan submitted to the commission Wednesday, the company said it is fixing some glitches in the systems. But, the document said, "we are not servicing our customers at an acceptable level, and we are not improving fast enough."

It's unclear just how bad things are for the company and its customers.

FairPoint's financial filings to the commission are largely confidential, though the company has reported losing \$30 million in revolving credit after the collapse of Lehman Brothers. Revenue was down in the fourth quarter of last year, and the company's board of directors suspended its dividend.

A key standard that the commission uses to measure service is how quickly customers are assisted when calling the company's service centers. Those statistics have been redacted from public documents.

FairPoint spokeswoman Jill Wurm said there was no information regarding customer retention since the cutover.

That's an issue that concerns consumer advocate Meredith Hatfield.

"The longer they have these problems and they can't meet their customers' needs, the more customers are going to leave," she said. "The more that happens, the harder it is going to be for them to turn it around."

Bailey said the commission could fine FairPoint for poor service, with a cap at about \$12.5 million, but the commission would have to consider the effect on the already struggling business. She declined to say what would happen if the company is not able to right itself.

"We're doing everything we can to ensure that FairPoint restores service to acceptable levels," she said. Glenn Brackett worries about that, too. He is the business manager for International Brotherhood of Electrical Workers Local 2320, which represents more than 1,000 FairPoint workers. The union opposed the sale to FairPoint, but Brackett said the workers are committed to helping the company succeed now. Their jobs depend on it.

"We are committed to providing good customer service," he said. "Whatever we've got to do."

While customers are waiting for service, Brackett said, crews are waiting for work.

"The service order goes in (to the computer system) and it never comes out," he said.

Brackett said when workers hear about someone who needs help – either through people who call him or the news media – they go directly to the customer and then add the information into the system later.

Ginie Murphy waited more than six weeks for service after moving in February from Concord to Tilton. Murphy later sent the company a six-page letter documenting the days she spent on the phone with service representatives. In the end, one came to her home with a houseplant, an apology and a promise of six months of free service. Murphy said she appreciated the gesture but would have preferred hassle-free service.

Some FairPoint competitors, such as BayRing and segTEL, lease a portion of FairPoint's network in order to provide service to their own customers. To add a new customer into their systems, they need to access FairPoint's information identifying that customer. Bailey said that function had stopped working and was supposed to be fixed this week.

Wurm said the company has set up "SWAT teams" to identify and deal with problems in the systems. According to the company's stabilization plan, it also will add 10 customer service representatives to its repair call center by tomorrow.

Last month, the company filed a motion with the Public Utilities Commission asking to delay a payment of millions of dollars that it characterized as a voluntary "prepayment." The Office of the Consumer Advocate filed a response saying that the payment was not voluntary and that the commission should hold a hearing to review the company's financial status.

FairPoint then withdrew its request, but the commission scheduled a status conference. It will be held at 10 a.m. tomorrow at the commission's office at 21 S. Fruit St. in Concord.

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**FairPoint promising fix; consultant skeptical**

398 words

2 April 2009

16:30

Associated Press Newswires

APRS

English

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CONCORD, N.H. (AP) - FairPoint Communications Inc. is promising a short-term fix and long-term resolution to customer service problems that have dogged the company since it arrived in northern New England.

Customers are complaining of long delays to report problems by phone, e-mail troubles and billing errors. But the company said Thursday it hopes to significantly improve service by the end of June.

A consultant monitoring the company is skeptical, saying in a new report that FairPoint's early summer deadline is optimistic.

FairPoint bought Verizon Communications' landline telephone and Internet business in Maine, New Hampshire and Vermont a year ago but didn't switch to its own computer systems until Jan. 30. Problems cropped up immediately.

In a plan submitted to the New Hampshire Public Utilities Commission this week, FairPoint acknowledged that its customer service is unacceptable and is not improving fast enough. The commission has scheduled a daylong hearing on the plan for Friday.

North Carolina-based FairPoint has had similar problems in Maine and Vermont. The company submitted an improvement plan to Maine regulators last week.

Customers should start seeing improvements soon, company spokeswoman Jill Wurm said.

"We're going to do some interim steps, which will correct things quickly," she said of service in New Hampshire. "And then there will be some longer-term final solutions in place."

But significantly improving service by the end of June probably is unrealistic because of the scope of the problems, the Liberty Consulting Group said in a report dated Wednesday.

"Senior leadership has continued to make statements that understate the problem severity and overstate success in fixing them," Liberty said.

It said the Jan. 30 "cutover" from Verizon went fairly smoothly, but has been followed by a "post-cutover crisis" as FairPoint failed to respond quickly and effectively to problems as they arose.

Liberty said some Internet service problems have been resolved.

From the start, some questioned whether FairPoint was a big enough company to manage the northern New England network it bought for \$2.3 billion.

FairPoint remains confident it can fix the problems, Wurm said.

"We have focused on what needs to be done and are rearranging processes, bringing in consultants and putting together metrics hopefully to confirm and measure our progress going forward," she said.

On the Net:

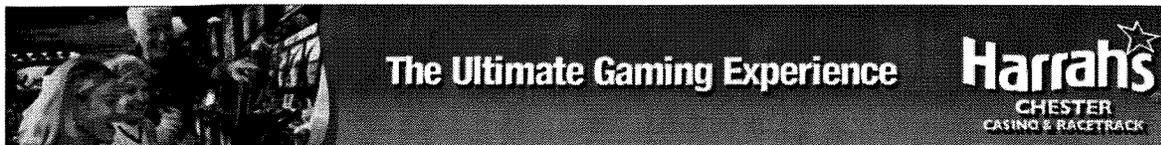
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Article published on April 02, 2009

FairPoint service remains unstable

Company, regulators set to meet tomorrow

By CHELSEA CONABOY
Monitor staff

April 02, 2009

Barely a week goes by without a new round of complaints from FairPoint Communications customers. E-mail glitches. Double billing. Hours spent on hold with customer call centers.

This week, some received late notices on bills they had already paid. Yesterday, the state consumer advocate said she's heard from returning snowbirds - at least one who needed to connect medical equipment to a phone line - waiting for their service to be restored.

On Jan. 30, FairPoint took over operations of Verizon's northern New England network in New Hampshire, Maine and Vermont, which it purchased last year for \$2.4 billion. Since then, the company admits, service has been "substandard."

Company officials will go before the state Public Utilities Commission tomorrow to explain their stabilization plan. And the commissioners will consider their options for compelling them to do better, which include levying millions in fees or requesting a change in management.

In February, more than 700 people called the commission with complaints or questions about FairPoint. In March, the calls doubled.

"It's just unacceptable," said Kate Bailey, director of the telecommunications division. How did it get that way? And how will the company fix it? Neither question has a clear answer.

FairPoint purchased a network that was more than five times its size. Verizon ran more than 1.5 million phone lines with 600 computer systems that handled every aspect of operations. In past mergers and sales, those systems were included.

This time, however, Verizon did not include its systems in the sale. FairPoint, which had operated just 300,000 phone lines, had one year to build what Verizon's predecessors had developed over generations.

Regulators knew that was a big undertaking, Bailey said. But tests reviewed by the company and a third-party consultant showed the systems were ready for the transition. Almost immediately, they were proven wrong.

In addition to e-mail glitches and problems with billing, the company has developed a backlog of people who need new service or changes to their service. Call centers have been swamped, and employees have had to adjust to using new technology. Customers have reported waiting hours - even days or weeks - for help.

In a stabilization plan submitted to the commission yesterday, the company said it is fixing some glitches in the systems. But, the document said, "we are not servicing our customers at an acceptable level, and we are not improving fast enough."

It's unclear just how bad things are for the company and its customers. FairPoint's financial filings to the commission are largely confidential, though the company has reported losing \$30 million in revolving credit after the collapse of Lehman Brothers. Revenue was down in the fourth quarter of last year, and the company's board of directors suspended its dividend.

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Glenn Brackett worries about that, too. He is the business manager for International Brotherhood of Electrical Workers Local 2320, which represents more than 1,000 FairPoint workers. The union opposed the sale to FairPoint, but Brackett said the workers are committed to helping the company succeed now. Their jobs depend on it.

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This article is: 84 days old.

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FairPoint acknowledges its NH service is subpar

Associated Press - April 2, 2009 9:25 AM ET

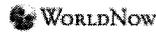
CONCORD, N.H. (AP) - Telephone company FairPoint Communications Inc. is admitting that its customer service in New Hampshire is unacceptable and is not improving fast enough.

The company made the acknowledgement in a plan submitted Wednesday to the Public Utilities Commission, which has a day-long hearing scheduled for Friday to review the situation.

FairPoint - based in North Carolina - took over Verizon Communications' landline telephone and Internet business in Maine, New Hampshire and Vermont two months ago.

Commission official Kate Bailey told the Concord Monitor that key issues include how customer service got so bad and what the company will do to make it better.

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**FairPoint Communications, Inc. - Company News**

241 words

1 April 2009

NewsTrak Daily

NETRAK

English

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On 30 Mar 2009, (Reuters) reported Global company default risk rose in March - index

On 27 Mar 2009, (AP) reported FairPoint service problems may lead to hefty fines

On 26 Mar 2009, (EducationGAR Online Financials) reported FashionIRPOInfrastructureT CommoditiesMMUNICATIONS InfrastructureC Financials

On 25 Mar 2009, (AP) reported FairPoint prepares "stabilization plan" for Maine

On 17 Mar 2009, (FT.com) reported Fairpoint sees a late increase in InvestmentsAs

On 12 Mar 2009, (AP) reported Fleeing customers haunt phone co. in New England

On 12 Mar 2009, (Motley Fool) reported This Telecom Has Been Unfairly Punished

On 9 Mar 2009, (EducationGAR Online) reported FashionIRPOInfrastructureT CommoditiesMMUNICATIONS InfrastructureC Files SEC form 8-K, Results of Operations and Financial Condition, Change in Directors o

On 6 Mar 2009, (Consumer and ConsumerablesBN) reported FairPoint Communications, Inc. Earnings Call scheduled for 8:30 am Environment today

On 5 Mar 2009, (AP) reported FairPoint posts 4Q loss amid higher costs

On 5 Mar 2009, (Reuters) reported UPDATelecommunications - FairPoint suspends dividend, says liquidity may be hurt

On 5 Mar 2009, (EducationGAR Online) reported FashionIRPOInfrastructureT CommoditiesMMUNICATIONS InfrastructureC Files SEC form 10-K, Annual Report

On 5 Mar 2009, (Property / Real Estate Newswire) reported FairPoint Communications Reports Fourth Quarter 2008 Results

On 5 Mar 2009, (Consumer and ConsumerablesBN) reported Q4 2008 FairPoint Communications, Inc. Earnings Release - After Market Close

On 4 Mar 2009, (The Wall Street Journal Online) reported The Broadband Hot Potato

News Snapshot

31 March 2009

Document NETRAK0020090403e541002ao

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**NH PUC to hold hearing on FairPoint complaints**

138 words

31 March 2009

18:04

Associated Press Newswires

APRS

English

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CONCORD, N.H. (AP) - New Hampshire regulators will hold a hearing Friday to hear how FairPoint Communications plans to reduce customer complaints.

Fairpoint has been plagued with problems since it switched to its own computer system about two months ago, 10 months after buying Verizon's landline telephone and Internet network in Maine, New Hampshire and Vermont. The New Hampshire Public Utilities Commission has heard more than 1,000 customer complaints so far this month.

Customers are having a hard time getting through to Fairpoint's customer service, aren't getting their bills on time and aren't getting new services they ordered or needed repairs.

A Fairpoint spokesman tells New Hampshire Public Radio that some systems probably won't be up to speed until the end of June.

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Article published Mar 31, 2009

Can FairPoint survive its missteps?

We trust New Hampshire and Vermont regulators are keeping a tight eye on the discussions between FairPoint Communications and the Maine Public Utilities Commission.

FairPoint has come in with a nine-page "stabilization plan" at the request of the Maine PUC — a request the company could hardly refuse.

Concerns over customer service woes at FairPoint have been in the public's sights for two months, and pressure has increased for the communications provider to address them. Particularly nettlesome to the company and its customers have been the operation of the company's call centers, the billing process and how it handles orders.

Earlier this year, an international credit rating agency lowered its outlook for FairPoint from stable to negative because it lost an unexpected number of access lines and customers. Reports in January had the company shedding 80,000 customers since buying Verizon's assets in Maine, New Hampshire and Vermont. FairPoint Chief Executive Gene Johnson said at the time the company remained confident it would win back old customers after taking control of the Verizon system on Jan. 31.

Johnson's confidence seems to have been ill-placed.

FairPoint announced earlier it was searching for a successor to its CEO, but no deadline was set to replace Johnson, a founder of the company.

Today, it seems fleeing customers remain the rule and not the exception. The Associated Press reported earlier this month that subscribers still are heading for the door to escape the tie of landlines. Subscribers became itchy last year when Verizon sold out. It was a 12 percent loss of subscribers compared to a nationwide average of 7 percent.

Now, reported the AP, more customers are fleeing after experiencing e-mail, Internet and customer service problems in recent weeks.

Back in the days of "Ma Bell," under the AT&T telecommunications giant of the 20th century, we either used a link in the Bell System or sent a letter. Today, we can choose among competing services and rate structures.

Landlines will likely go the way of operator-connected calls.

When FairPoint purchased Verizon's landline telephone and broadband Internet network last year there were widespread concerns. Approval of regulators in New England's three northern states came only after months of hearings. Consumer advocates and regulators expressed deep worries about FairPoint's ability to finance the \$2.3 billion undertaking as well as operate and manage an area as large as it was seeking to take over in this corner of the Northeast.

The transfer took place despite the lingering doubts of many observers and some regulators.

FairPoint is headquartered in Charlotte, N.C. It owns and operates companies in 18 states and is the eighth-largest telecommunications company in the United States. In November 2008, FairPoint's business in northern New England was reported as including 1.6 million telephone customers and 230,000 high-speed Internet subscribers.

Verizon withdrew from its landline business in New England to concentrate on the widening and deepening market of wireless communication, information and entertainment.

Is FairPoint a large enough company to survive in the changing marketplace of communication — a marketplace in which multiple wireless phones are common in families and a communications requirement in business and industry?

Did FairPoint's reach go beyond its ability to sustain its hold on what it coveted?



[March 30, 2009]

FairPoint sets June deadline for normal operations

Mar 26, 2009 (Kennebec Journal - McClatchy-Tribune Information Services via COMTEX) -- FairPoint Communications will focus on improving its call centers, billing and order processing as it looks to improve service that has frustrated thousands of customers.

FairPoint's plan includes improvement checkpoints and sets a June deadline for reaching normal operations.

"We're making incremental improvements," said FairPoint spokesman Jeff Nevins. "Things are getting better, but there are still some things that are causing customers to have problems that are not being addressed in a fashion they would consider timely. We're not meeting customers' expectations." The business stabilization plan, submitted to the Public Utilities Commission by the commission's Tuesday deadline, outlines the factors that led to a growing crisis since February, when FairPoint took over Verizon Communication's landline telephone and Internet network in Maine, New Hampshire and Vermont.

Customers complained of lost, late or duplicate bills; unfilled orders; and long waits on hold when trying to reach customer service representatives.

Frustrated customers began lodging their complaints with the PUC, which last week asked FairPoint to submit a plan outlining the company's strategy for improving its customer service operations.

FairPoint acknowledges in its report to the PUC there were problems with the new systems put in place for the changeover that affected billing and flow of orders for service.

The resulting deluge of calls from angry customers swamped the company's call centers: The call volume for March is trending toward a total of 351,000 for the month, more than twice the monthly average for the previous six months.

FairPoint employees answering those calls were learning a new system, which placed additional drag on the company's response, company officials said.

"Since that time, many improvements and system corrections have been put into place and some areas have shown marked improvement," FairPoint representatives said in the report. "The result, however, is we are not servicing our customers at an acceptable level and we are not improving quickly enough." Nevins said many of the billing concerns have been addressed, which Nevins said has reduced the volume of calls to the service center.

But correcting the flow of orders for service will take more time.

In the past two months, about 30 percent of customer orders for service -- about 10,000 -- have had various problems, said Jeff Allen, FairPoint's executive vice president of external relations. So the company has set up a

team devoted to correcting glitches that are disrupting the company's ability to accept and process orders, Allen said.

"That's the single biggest challenge we have today," he said.

Resolving the billing and order problems will cut the stress on customer service.

"Once we work through the problem areas we're having with the systems, we'll be closer to business as usual," Nevins said. "Those are the priorities now: getting the volumes down, making sure the bills are right and getting order flow through the systems. We believe this plan addresses it and we'll be putting in the resources to make sure (we) achieve the objectives in the plan." The PUC, too, will be watching to make sure FairPoint carries out the plan, agency spokesman Fred Bever said. Commissioners will review the plan and work with consultants and utility regulators in New Hampshire and Vermont to make sure the strategies will work.

"If there are any gaps in the plan, the commission will point those out to FairPoint," Bever said. "The commission is interested in seeing business return to a more orderly form as soon as possible." But for some customers, such as Shari Swain, it may already be too late.

Swain set up her new company, Swain Travel Center, in the Gardiner Savings Bank building on Eastern Avenue in Augusta in January. She continues to pay rent and utilities, but she said the office is unusable because FairPoint has yet to fill her order for a digital subscriber line that would provide Internet and e-mail service.

Swain's phone log includes nearly two dozen calls to FairPoint seeking telephone and Internet service.

The telephone line was finally installed March 7, approximately a month and 12 phone calls after Swain's initial order. But, despite numerous calls over the past several weeks, FairPoint has yet to hook up a DSL line.

Swain said she has contacted the PUC and public advocate's office, which has been working with FairPoint to resolve the issue, but still is not sure when the service will be connected.

"I'm losing money not getting any foot traffic," she said. "I go in to water the plants, but I can't work there." Swain has looked at switching providers, but the only companies able to provide an alternative say it will be at least a month's wait -- and those companies depend on FairPoint.

"It's gotten very frustrating when they're telling me the same thing, 'We're sorry for your inconvenience,' over and over," Swain said. "I call every day and I'm hold for 45 minutes. Sometimes (I call) twice if I get disconnected." Swain set up her office in January so she would be up and running by the spring, which is the busy season for travel agents. Now spring is steadily swinging into summer when business is typically slow.

"I am trying to understand, but, like I said, I just keep getting the same answers," Swain said. "I don't believe they are truthful. They seem to be passing the buck. I'm frustrated. I'm very frustrated." The Associated Press contributed to this report.

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VERMONT PSC ALLOWS FairPoint TO DELAY DEBT PAYMENT

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The Vermont Public Service Board has approved FairPoint Communications, Inc.'s request to postpone a scheduled debt payment as the company tries to manage cash flow during hard economic times. FairPoint, which completed the final takeover of Verizon Communication, Inc.'s wireline systems in Maine, New Hampshire, and Vermont in late January, will now make the first quarterly debt payment on June 30 instead of March 31, which was one of the financial conditions imposed on the sale by the three state commissions. Beginning in the first quarter of this year, FairPoint is expected to pay the higher of \$45 million annually or 90% of yearly free cash flow to be applied equally in each fiscal quarter toward permanently reducing the principal amount of the term loan. In granting FairPoint's request, the Vermont PSB said the delay in making its first debt payment will allow the company to retain additional cash, enhance liquidity, and respond to capital demands.

Under FairPoint's proposal, the obligation to pay down the outstanding debt at a rate of at least \$45 million a year remains intact.

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