



**STATE OF VERMONT
SENATE CHAMBER
115 STATE STREET
MONTPELIER, VT
05633-5201**

January 16, 2008

James Volz, Chairman
David C. Coen, Member
John D. Burke, Member
Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

**RE: Docket No. 7270; Supplemental Letter In Response To
Modified/Amended Petition For Certificate Of Public
Good, As Directed By Act 79 of the 2007 Legislative
Session**

Dear PSB Members:

We commend the careful scrutiny that the Board has given to date to this far-reaching transaction. Given that Verizon is the largest wireline communications provider in Vermont, and given the importance of advanced telecommunications networks to the economic vitality of our state, it is absolutely imperative that the Board, if it is to authorize the sale to FairPoint Communications, ensure that FairPoint has the financial capacity to provide quality service and to invest in broadband infrastructure capable of reaching every home, business, and institution in Vermont.

The companies submitted their revised proposal after the Board rejected the original deal out of concern that the evidence raised significant questions about FairPoint's financial soundness, and in particular that FairPoint's financial projections failed to take into account risks that have the potential to lead to a reduction in service quality, to less investment in the Vermont infrastructure, and to slower deployment of broadband services than is acceptable.

Now, the companies have submitted for Board approval a proposal with 80 modifications to the original deal. We urge the Public Service Board ("Board") to subject the revised proposal that Verizon and FairPoint Communications submitted to the Board on January 8, 2007 to a full and comprehensive review, including convening evidentiary hearings with sufficient time for comment and briefing by other parties. The fact that the Department of Public Service – the agency charged with advocating for the interests of Verizon's customers – has signed off on the deal makes it all the more important that the Board give close consideration to the serious issues raised by the interveners.

Last year, the Vermont General Assembly, with the enactment of Act 79 of the 2007 Legislative Session, directed the Speaker of the House, the President *Pro Tempore* of the Senate, the Chair of the Senate Committee on Economic Development, Housing and General Affairs, and the Chair of the House Committee on Commerce to communicate to the Board:

“the strong recommendation... that any company seeking to acquire the assets and network of Verizon New England, Inc. have the capabilities and intentions to furnish broadband services that are sufficient to meet the rapidly evolving needs of Vermont residents, businesses and institutions.”

Consistent with our ongoing statutory obligations established in Act 79, and based on changes in the proposed deal, we ask you to conduct a thorough review of the revised proposal to ensure that FairPoint has the financial capacity to provide affordable broadband by the year 2010 to all residences and businesses in all regions of the state that Verizon serves. (30 V.S.A. Chapter 91, Sec. 8060(b)(1)).

We respectfully suggest the Board condition its approval of the transaction on a commitment by Verizon to contribute resources that are sufficient to enable FairPoint to make broadband service universally available by 2010, or in the alternative, to contribute resources to the Vermont Telecommunications Authority to enable it to accomplish the same objective.

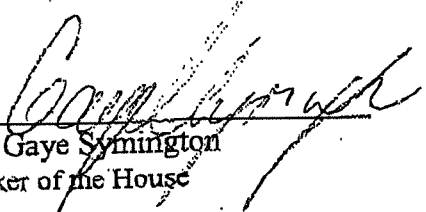
It is our understanding that the Vermont settlement agreement largely adopts the terms of Maine stipulation – terms that experts retained by other parties, including the CWA and IBEW, have found seriously deficient. According to the CWA and IBEW, the Maine stipulation provides a price reduction of \$247 million. This amount is less than one-half of the \$600 to \$700 million that the Maine hearing examiner found would be necessary to make FairPoint a reliable telecommunications provider.

In addition, the deal would permit FairPoint to pay shareholders dividends that are far more than it projects to earn. It would allow FairPoint to invest \$40 to 50 million a year less in the northern New England Network than Verizon has in recent years. The revised proposal does not provide FairPoint with the financial capability to do anything other than dramatically reduce its workforce through attrition during the next eight years, and it does not require FairPoint to fund reserves to meet any of its liabilities for provision of health care to retirees – liabilities that are projected to reach \$500 million through the year 2015.


Moreover, it is our understanding that the modified proposal, if approved, would require FairPoint to spend tens of millions of additional dollars to correct legacy service quality problems left by Verizon, without any additional funding or sale price reduction from Verizon.

We ask you to carefully explore all these issues in a full and complete evidentiary hearing, and protect the public interest of Vermont consumers in quality telecommunications services provided by a financially viable company with the resources to bring high-speed Internet to every Vermont residence, business and institution.


Sincerely,



Rep. Gaye Symington
Speaker of the House



Sen. Peter Shumlin
Senate President *Pro Tempore*



Sen. Vincent Illuzzi
Chair, Senate Committee on Economic Chair,
Development, Housing & General Affairs



Rep. Warren Kitzmiller
House Committee on Commerce

cc: Commissioner David O'Brien

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