

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DT 10-025

Reorganization of FairPoint

PRE-FILED TESTIMONY

of

Alan Kessler

Raymond Gross

Ronald Cassel

on behalf of Accion Group, Inc.

APRIL 19, 2010

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

2 A. Alan Kessler: My name is Alan Kessler. I am a Senior Consultant for Accion
3 Group, Inc. Accion Group's business address is 244 North Main Street, Concord,
4 New Hampshire.

5

6 A. Raymond Gross: My name Raymond Gross. I am a Senior Consultant for Accion
7 Group, Inc. My offices are located in Suwanee, Georgia, 932 Little Darby Lane.

8

9 A. Ronald Cassel: My name is Ron Cassel. I am Chief Executive Officer with
10 Millennium Communications Group, Inc., located on 11 Melanie Lane, East
11 Hanover, New Jersey. I was retained by Accion Group to assist in the matters addressed
12 in this proceeding.

13

14 **Q. Please discuss your educational background.**

15 A. Alan Kessler: I graduated from the City College of New York in 1969 with a B.S.
16 degree in Economics. In 1975, I earned my J.D. degree from Capital University.
17 In addition, I have pursued graduate studies in Economics at the Massachusetts
18 Institute of Technology. Since graduation, I continue to advance my education
19 through professional courses in finance, law, and economics.

20

21 A. Raymond Gross: I graduated with a BS degree in Accounting from Rider
22 University, Lawrenceville, New Jersey.

23

24 A. Ronald Cassel: I attended Seton Hall University for Accounting, studied Electrical
25 Engineering Technology at DeVry Technical Institute and have earned numerous
26 certifications in Networking Technologies and Business Management.

27

28 **Q. Please discuss your professional experience.**

29 A. Mr. Kessler: After graduation from the City College of New York, I was employed
30 by the Columbia Gas System as an economic analyst, assigned to financial and
31 asset acquisition issues. Subsequent to law school, I was employed by the Public
32 Utilities Commission of Ohio as a hearings officer, where I presided over rate,
33 fuel clause and quality of services cases for electric, gas and telephone
34 companies. In 1978, I joined the law department of Ohio Power Company where
35 I was responsible for all of the company's regulatory litigation. I was promoted
36 to General Counsel in 1984. In 1987, I joined the Utilities Consulting practice of

1 Ernst & Young where I led several management audits and prudence reviews.
2 These included, serving as lead consultant to the State of New Hampshire in the
3 bankruptcies of Public Service Company of New Hampshire and the New
4 Hampshire Electric Cooperative; The states of Texas and New Mexico in the
5 bankruptcy of El Paso Electric; and the states of Vermont and Nevada in the
6 resolutions of the financial difficulties of Green Mountain Power and Sierra
7 Nevada Power, respectively. I also focused on advising clients on issues related
8 to mergers and acquisitions, and reorganizations of financially distressed
9 utilities. In 1998, I joined Deloitte Consulting, specializing in mergers and
10 acquisitions and regulatory matters. In 2001, I co-founded Accion Group, Inc.
11

12 A. Raymond Gross: I have extensive experience in the telecommunications, facility
13 services and security industries. I have held roles as Chairman, CEO, CFO, and
14 Senior VP of Sales and Marketing with both public and private firms with annual
15 revenues ranging from \$20 million to \$2 billion. I have led companies involved in
16 substantial build-ups and I have orchestrated numerous financial and
17 operational turnarounds. Most recently, I led a security firm headquartered in
18 Chicago through a complete operational and financial restructuring. This
19 assignment included refinancing as a private entity, an operational re-
20 engineering, and a complete re-capitalization. Prior to that role, as CEO of a
21 public telecommunications (payphones) company, I orchestrated an operational
22 and financial turnaround which led to the merger of the two largest independent
23 public telephone companies. This firm was experiencing significant revenue
24 decline as consumers reduced usage of payphone service in favor of cell phones
25 which had become much more cost effective. I was successful in reducing the
26 revenue decline by restructuring the service offerings and significantly re-aligned
27 direct and operating expenses to create higher margins. These actions led to the
28 firm realizing a significantly higher valuation at the time of the merger.

29 In the early 1990's I took on the role of CEO of one of the top ten security
30 services companies as it emerged from a Chapter XI bankruptcy. In little more
31 than twenty-four months my management team took the firm from bankruptcy
32 to being recognized at Colorado's number one company. From 1988 to 1993, I
33 ran the wireless carrier in Ohio that operated under the Cellular One brand. In
34 1990 we were recognized by the Cellular Telephone Industry Association as the
35 "best run cellular company in the United States". We were specifically

1 recognized for having the lowest “churn rate” in the industry, with the highest
2 customer satisfaction rate.

3
4 A. Ronald Cassel: I am an entrepreneurial executive manager with over thirty years
5 of experience in telecommunications systems engineering, construction, finance
6 and operations. I am proficient in all aspects of design, building and
7 management of advanced fiber optic-based broadband networks. As CEO of
8 Millennium Communications Group, Inc., I lead a \$20 million per year
9 telecommunications design, engineering and construction company, with a focus
10 on bringing advanced carrier-class communication systems to public and private
11 sector clients. I am responsible for the overall health and well-being of the
12 organization, as well as devising forward-looking strategic planning and
13 continued success in the markets served, and for setting and monitoring job cost
14 and performance, budgeting, profitability and growth. In late 2002, when the
15 incumbent CFO failed to control the downward spiral of the organization, I led
16 the two-year effort that, ultimately guaranteed Millennium’s survival without
17 inviting undue financial risk, and thus avoiding bankruptcy. As CFO, I provided
18 direction and leadership, as well as the company’s financial oversight, controlling
19 all of the business accounting functions, enabling the organization to meet its
20 financial needs and goals.

21
22 **Q. Have you ever testified before any regulatory agencies or courts?**

23 A. Alan Kessler: Yes. I have previously testified before this Commission and before
24 the Arizona Corporation Commission, the Vermont Public Service Board, the
25 Massachusetts DPU, the Nevada Public Utilities Commission, the Oregon Public
26 Utility Commission, the Public Utilities Commission of Ohio, the Federal Energy
27 Regulatory Commission and the Georgia Public Service Commission.
28 Additionally, I have testified on utility-related matters in bankruptcy court and
29 before the New Hampshire and Ohio legislatures. I have also advised clients on
30 regulatory matters before the utility regulatory authorities of Alaska, Georgia,
31 New York, Michigan, Missouri, Kansas, Virginia, Pennsylvania and California.

32
33 A. Raymond Gross: I testified before the bankruptcy court in Ohio in connection
34 with one of the corporate reorganizations on which I have worked.

35

1 A. Ronald Cassel: I have testified before the Vermont legislature in connection with
2 expansion of broadband service in that state.

3

4 **Q. Mr. Cassel, what is your experience with reviewing fiber optic deployment in
5 northern New England?**

6 A. Ronald Cassel: My company is actively involved in deploying fiber optic
7 technologies in many regions of the country, including New England. Presently, I
8 am providing technical planning and oversight to EC Fiber, a group of twenty-
9 three towns located in east central Vermont, that have banded together to build
10 and operate their own fiber to the home utility. The service area encompasses
11 some of the most rural areas of the State.

12 When complete, the network will be capable of delivering speeds from 20Mbps
13 to 10Gbps and more to each home within the fifteen hundred mile all-fiber
14 network. The project has been structured to resemble a public utility with each
15 town having ownership through its citizens' subscription participation. We have
16 successfully proven that the project is financially sound and are currently
17 securing financing for the project.

18

19 **Q. Would you please describe Accion Group's role in this proceeding?**

20 A. Accion Group, Inc. was engaged by the Non-Advocate Staff of the New
21 Hampshire Public Utilities Commission to perform certain review and analysis
22 work related to the reorganization of FairPoint Communications. We prepared a
23 report presenting our preliminary observations regarding our review to date.
24 This report contains findings related to the current operations of FairPoint, their
25 Plan of Reorganization submitted to the United States Bankruptcy Court as
26 required to emerge from bankruptcy, and various post-bankruptcy projections
27 prepared by the Company. The report represents Accion's initial review of the
28 reasonableness of the proposed reorganization of FairPoint and will be
29 supplemented after we review FairPoint's final Plan of Reorganization, which is
30 scheduled to be filed with the bankruptcy court on April 23, 2010, and after
31 reviewing additional information FairPoint has committed to provide to us.

32

33 **Q. Please describe the purpose of your testimony.**

34 A. We are testifying today in support of our preliminary Report, which is being
35 offered at this time.

36

1 **Q. Please describe the structure of the Report.**

2 A. The Report was prepared by all three of us. Mr. Gross and Mr. Kessler addressed
3 the financial considerations and Mr. Cassel provided the review of deployment
4 of fiber optic technologies, attached as "A" to the Full Report.

5

6 **Q. Please explain why you will supplement your Report?**

7 A. This report represents Accion's initial review of the reasonableness of the
8 proposed reorganization of FairPoint. It contains findings relating to the current
9 operation's financial structure; plans relating to the provisioning and build-out of
10 the fiber optic networks, including the quality of installations; the Company's
11 Plan of Reorganization, including amendments and disclosure statements; and,
12 the Company's post bankruptcy financial structure and operations plan.

13 We are aware that FairPoint intends to file a supplement to its Second Amended
14 Plan of Reorganization on April 23, 2010. We have been advised by the
15 Company that among other matters, that supplement will address the
16 Company's intentions regarding the rejection of certain executory contracts,
17 notably its contracts with several of its wholesale customers and with several of
18 its other commercial creditors. The supplemental report will also provide final
19 details relating to the financial instruments the Company proposes to enter into
20 implementing its planned reorganization.

21 We further note that the Company may file additional testimony in this docket
22 on April 30, 2010. In light of the potential that the Company's final Plan of
23 Reorganization may change, and that new information may be made available to
24 Accion that might affect Accion's evaluation of the integrity of FairPoint's Plan of
25 Reorganization, we have presented only preliminary findings, conclusions and
26 recommendations in this report. We reserve the right to amend or alter any or
27 all of the findings, conclusions or recommendations presented.

28

29 **Q. Please summarize your overall findings and conclusions.**

30 A. Our detailed findings and conclusions can be found in the accompanying Report.
31 In summary, our preliminary findings are that, if FairPoint is successful in
32 meeting the goals that will support the assumptions in the Plan of
33 Reorganization, FairPoint will be able to meet its regulatory obligations as well as
34 the commitments made to the State of New Hampshire in 2008. Further, to
35 date, our review suggests FairPoint will be able to meet the commitments made

1 in the Regulatory Settlement that is being sponsored in this proceeding by the
2 Advocate Staff.

3

4 **Q. Does that conclude your testimony?**

5 **A.** Yes it does. We would be glad to answer any questions the parties may have.