

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DT 18-____

**Petition of Dixville Telephone Company
for Approval to Discontinue Operations**

**PREFILED DIRECT TESTIMONY OF
ANN WALSH**

On Behalf of Dixville Telephone Company

November 15, 2018

PREFILED DIRECT TESTIMONY OF ANN WALSH

1 **Q: Please state your name, occupation, and place of business.**

2 A: My name is Ann Walsh. I am the Assistant Secretary and Assistant Treasurer of
3 the Tillotson Corporation. My business address is 1539 Fall River Avenue,
4 Seekonk, Massachusetts 02771.

5 **Q: What are your current responsibilities with Tillotson Corporation?**

6 A: I am responsible for the accounting and administrative functions of the
7 corporation. In regard to Dixville Telephone Company (“DTC”) in particular I
8 am also responsible for regulatory compliance, billing and accounting, customer
9 relations and managing our contractor relationships.

10 **Q: Have you previously testified before the New Hampshire Public Utilities**
11 **Commission (“Commission”)?**

12 A: Yes. I submitted prefiled testimony in Docket No. DT 14-240 to support a prior
13 petition by DTC to discontinue operations. Proceedings in that Docket were
14 suspended in 2014 without further action by the Commission.

15 **Q: What is the purpose of your testimony?**

16 A: My testimony supports DTC’s Petition for Approval to Discontinue Operations.
17 In particular, I report on the current state of DTC’s operations and finances. I
18 note in particular that DTC has been and presently is operating at a loss, and I
19 describe why it is necessary for the Commission to allow DTC to discontinue its
20 operations.

1 **Q: Please describe the background and current status of DTC.**

2 A: DTC is a division of the Tillotson Corporation. The Tillotson Corporation is a
3 Massachusetts corporation that is wholly owned by OGC, LLC, a Minnesota not-
4 for-profit limited liability company. OGC, LLC is itself wholly owned by the
5 New Hampshire Charitable Foundation (“NHCF”), a New Hampshire not-for-
6 profit corporation to which the stock of Tillotson Corporation was transferred in
7 August 2013 by the trustees of the Neil Tillotson Trust (the “Trust”). The Trust
8 was established upon the death of Neil Tillotson, a successful North Country
9 business entrepreneur and longtime benefactor to the region of southern Quebec
10 and northern New Hampshire north of Franconia Notch. For many years, the
11 Tillotson Corporation owned The Balsams Grand Resort (“The Balsams”), a
12 grand New England hotel in Dixville Notch, New Hampshire. The Tillotson
13 Corporation formed DTC as a business division to provide telephone service
14 primarily to The Balsams, to the resort’s employees in the immediate area, and to
15 other business operations affiliated with the Tillotson Corporation in Dixville
16 Notch. When Mr. Tillotson died in October 2001, his will and trust provided that,
17 after the administration of his wife’s estate, all of his assets would be liquidated
18 and the proceeds donated to charity. His wife, Louise, died in 2007, and The
19 Balsams was sold in December 2011.

20 The 2011 sale of The Balsams also involved the sale of the telephone
21 company operations, pending the approval of the Commission. Ultimately,
22 however, DTC was not able to come to terms with the new owners of The
23 Balsams, and the Commission’s proceeding to approve that sale (DT 12-263) was
24 suspended in December 2012 without further action. A subsequent transaction to

1 sell DTC's assets also failed to come to fruition. To date, the Tillotson
2 Corporation has not been able to secure a buyer for the DTC assets or operations.

3 Since the closure of The Balsams, the number of regulated DTC retail
4 customers has declined substantially and now stands at just one residential retail
5 customer. DTC has been operating at a financial loss for many years, and there is
6 currently no realistic prospect that this situation can be reversed. Consequently, it
7 appears that the only solution is to discontinue DTC's operations and to migrate
8 its sole residential retail customer to comparable substitute services.

9 **Q: Please describe the circumstances surrounding the two prior proceedings you**
10 **mentioned (DT 12-263 and DT 14-240).**

11 A: When Tillotson Corporation sold The Balsams to Balsams View, LLC ("New
12 Balsams") in December 2011, DTC immediately lost most of its 450 access lines
13 and the associated revenue. However, New Balsams also executed a purchase and
14 sale agreement to acquire the assets of DTC, which DTC hoped to complete by
15 the end of 2012. The parties petitioned the Commission to approve the proposed
16 transfer of control, and the Commission opened Docket DT 12-263 to review the
17 petition. By the end of 2012, however, it became clear that the proposed sale
18 would take longer to complete than the parties initially expected. On December
19 10, 2012, the Staff advised the Commission that it was advisable to suspend the
20 schedule "to accommodate ongoing informational exchanges regarding this
21 petition." The Commission suspended the schedule on December 14, 2012, "until
22 further notice." Docket DT 12-263 remains open but has not had any proceedings
23 since the date of its suspension.

1 While the owners of New Balsams worked to put together their project
2 financing during 2013-14, DTC struggled to operate with its few remaining
3 customers and substantially reduced revenues. Nearly three years after The
4 Balsams closed, and with no progress made toward the sale of the company, DTC
5 petitioned the Commission to approve a discontinuance of DTC's operations in
6 September 2014. The Commissioner opened Docket DT 14-240 to consider the
7 petition.

8 Earlier that year, the owners of New Balsams took on a new financing
9 partner, Dixville Capital, LLC, to strengthen the financial position of the
10 redevelopment project. As Docket DT 14-240 progressed, DTC began
11 discussions with Dixville Capital regarding a possible acquisition of DTC. In
12 December 2014, DTC advised the Commission's Staff that DTC's petition for
13 discontinuance might not be necessary if negotiations toward the potential sale of
14 DTC to Dixville Capital were successful. The Staff asked the Commission to
15 suspend proceedings in DT 14-240 to allow those negotiations to continue, and
16 the Commission suspended the Docket on December 9, 2014. The Docket
17 remains suspended as of today.

18 **Q: What is the status of the potential sale to Dixville Capital, LLC?**

19 **A:** Dixville Capital, LLC, formed a subsidiary, Balsams Telephone Company, LLC
20 ("Balsams Telephone"), to acquire the assets of DTC. Balsams Telephone and
21 DTC signed a Purchase and Sale Agreement on March 1, 2015, with an expiration
22 date of December 31, 2015. The parties extended the expiration date several
23 times, with the last extension expiring as of December 31, 2017. The parties have
24 not extended the Purchase and Sale Agreement past that date. After several

1 unsuccessful attempts to move forward with the Purchase and Sale, DTC came to
2 the conclusion that the opportunity for a sale of DTC's assets to Balsams
3 Telephone had expired without hope of being revived. That conclusion coincided
4 with reports in mid-2018 that the overall redevelopment of The Balsams had
5 stalled in its financing efforts. Redevelopment of The Balsams now appears to be
6 halted indefinitely.

7 **Q: What is the current regulatory status of DTC in New Hampshire?**

8 A: DTC is an incumbent local exchange carrier ("ILEC") under New Hampshire and
9 federal law. In addition, on August 24, 2012, DTC elected status as an "excepted
10 local exchange carrier" ("ELEC") in New Hampshire. As an ILEC-ELEC,
11 Dixville is exempt from most New Hampshire regulation except for continued
12 regulation of its basic residential service and any wholesale services it may
13 provide to other carriers.

14 **Q: Are there other regulatory issues that affect DTC?**

15 A: Yes. Since 1996, the Commission has designated DTC as an Eligible
16 Telecommunications Carrier ("ETC") under federal law. DTC's ETC designation
17 is the basis for its continued receipt of Federal Universal Service Fund support,
18 which I discuss a little later. If the Commission allows DTC to discontinue its
19 operations, I understand that DTC will require similar authorization from the
20 Federal Communications Commission ("FCC") to discontinue its ETC
21 designation.

22 **Q: Please describe the service area that DTC serves.**

1 A: DTC serves a single telephone exchange, Dixville Notch, with the NPA-NXX of
2 603-255.

3 **Q: Please provide current figures on the number of DTC access lines in service,**
4 **the monthly minutes of use, and the monthly average call volume.**

5 A: DTC has a total of eleven access lines in service, with residential retail lines
6 numbering just 1 and business lines numbering 10: nine that serve The Balsams
7 property and one that serves the New Hampshire Department of Transportation.
8 For the nine months ending September 30, 2018, those lines had an average of
9 553.468 minutes of use per month, and an average of 381.778 calls per month.
10 Please see Exhibit AW-1 for supporting detail.

11 **Q: How many wholesale customers does DTC have?**

12 A: DTC provides AT&T Mobility with 6 DS1 circuits as a special access service
13 pursuant to DTC's Tariff NH PUC No. 3. DTC previously made a standing offer
14 to give these facilities to AT&T Mobility as a condition of a discontinuance
15 proceeding, but DTC rescinded the offer at the request of the potential buyer in
16 2014, who expressed a desire to retain ownership of those facilities as part of its
17 asset acquisition. With an asset purchase now off the table, DTC is again
18 exploring the possibility of giving the DS1 circuits to AT&T Mobility as part of
19 the present discontinuance of operations.

20 **Q: How many telephone poles does DTC own, both solely and jointly?**

21 A: DTC has zero solely owned telephone poles and zero jointly owned telephone
22 poles.

1 **Q: How many employees does DTC have?**

2 A: DTC has no full-time employees. My employment with Tillotson Corporation
3 includes work on behalf of DTC such as regulatory compliance, customer
4 relations and billing, and the management of DTC's relationships with vendors.

5 **Q: How does DTC conduct its operations without full-time staff?**

6 A: DTC contracts with third parties for its operations and billing functions.

7 **Q: How does DTC provide technical support for installations and other service**
8 **calls?**

9 A: DTC's service area is essentially abandoned. Dixville Notch is an unincorporated
10 place. At the last census in 2010, the population of Dixville Notch stood at 12.
11 With the closing of The Balsams in 2011, the population of Dixville Notch has
12 now dwindled to the low single digits. Whenever a service call to a DTC
13 customer is needed, Bretton Woods Telephone Company ("BWTC"), which
14 contracts with DTC to provide telephone operations, dispatches its personnel from
15 BWTC's location in Bretton Woods, New Hampshire.

16 **Q: What are DTC's monthly revenues?**

17 A: Exhibit AW-1 shows DTC's financial performance for the nine months ending
18 September 30, 2018. DTC averages approximately \$10,100 per month in
19 revenue. It's important to note, however, that almost half of DTC's monthly
20 revenue comes from federal High Cost Loop support and from interstate
21 settlements from the National Exchange Carrier Association ("NECA") access
22 pool. Federal High Cost Loop support is the only remaining program of the
23 Federal Universal Service Fund ("FUSF") that DTC continues to receive. NECA

1 settlements are paid from a pool of access charge receipts contributed by NECA
2 members, who then draw from the pool in accordance with their individual
3 company costs of providing service. DTC averages fewer than 250 minutes per
4 month of interstate access traffic, which produces less than \$10.00 per month in
5 interstate revenues. Thus, virtually all of DTC's switched access revenue, and
6 therefore half of its overall revenue, comes in the form of subsidies from other
7 members of the NECA pool or from contributors to the FUSF. Nearly all these
8 funds come from end users outside of the DTC service area.

9 **Q: Is DTC operating at a profit?**

10 A: DTC is a division of a corporation whose stock is ultimately owned by a New
11 Hampshire not-for-profit corporation. But even if DTC were a for-profit
12 corporation, it would not have been operating at a profit for several years. The
13 impact of DTC's ongoing financial losses is compounded by the fact that these
14 losses drain the charitable resources of DTC's parent, the New Hampshire
15 Charitable Foundation, as well as the public resources of the federal Universal
16 Service Fund and the ratepayer funds that comprise the NECA settlements pool.

17 **Q: What are the prospects for DTC?**

18 A: DTC was optimistic, after The Balsams was sold in 2011, that the new owners of
19 The Balsams would be able to include DTC in their overall plan to renovate and
20 reopen the resort. However, two separate purchase options with entities formed
21 by the new owners have failed to produce a definitive purchase agreement. Our
22 understanding now is that project financing for redevelopment of The Balsams is
23 on hold and the redevelopment will not be moving forward for the foreseeable

1 future. Meanwhile, DTC's operating losses have only increased over the years.
 2 DTC is now absorbing FCC-mandated reductions in, and the eventual elimination
 3 of, interstate access charges, which has dramatically reduced the size of the
 4 NECA settlements pool from which a substantial portion DTC's revenues are
 5 drawn. The FCC has also reformed the federal Universal Service Fund by
 6 eliminating major support programs and redirecting funds away from support for
 7 traditional voice services to support for broadband services, which DTC has never
 8 offered and which are beyond DTC's financial means to build. After exploring
 9 other possibilities for acquisition, DTC now faces the bleak reality that there is no
 10 available option for DTC to continue as a going concern. The only remaining
 11 option is for DTC to discontinue its operations.

12 **Q: Do you believe it is in the public interest for DTC to discontinue its**
 13 **operations?**

14 A: Yes. Tens of thousands of dollars in public and charitable resources are being
 15 used each year to support AT&T Mobility, a major telecommunications carrier,
 16 and a single regulated residential customer for whom reasonable alternatives to
 17 regulated service are available.

18 **Q: Does this conclude your prefiled direct testimony?**

19 A: Yes.