

**REDACTED**

STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

DT 14-\_\_\_\_

PETITION OF DIXVILLE TELEPHONE COMPANY  
FOR APPROVAL TO DISCONTINUE OPERATIONS

**DIRECT TESTIMONY OF ANN WALSH**

September 22, 2014

**REDACTED**

1 Q. Ms. Walsh, please state your full name, employment position and business address.

2 A. My name is Ann Walsh, Assistant Secretary and Assistant Treasurer of the Tillotson  
3 Corporation. My business address is 450 Bedford St. Lexington, MA 02420.

4 Q. What are your current responsibilities with Tillotson Corporation?

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

9 Q. What is the purpose of your testimony?

10 A. The purpose of my testimony is to report on DTC's operations, particularly that it is  
11 operating at a loss, and to describe why it is necessary to discontinue its operations.

12 Q. Can you please describe the background and current status of DTC?

13 A. DTC is part of the Tillotson Corporation. The Tillotson Corporation is a wholly owned  
14 by OCG, LLC, itself an entity wholly owned by the New Hampshire Charitable  
15 Foundation ("NHCF"), to which it was transferred by the trustees of the Tillotson Trust.  
16 The Tillotson Trust was established by Neil Tillotson, a successful North Country  
17 businessman and longtime benefactor to the area of southern Quebec and New  
18 Hampshire north of Franconia Notch. For many years, the Tillotson Corporation owned  
19 the Balsams Grand Resort Hotel, a grand hotel in Dixville Notch, New Hampshire. DTC  
20 is an operation within the Tillotson Corporation that was established to provide telephone  
21 service primarily to the Balsams Resort, the resort's employees in the immediate area,

1 and other operations affiliated with the Tillotson Corporation in Dixville Notch. When  
2 Mr. Tillotson died in October 2001, his will and trust provided that, after the  
3 administration of his wife's estate, all of his assets or the proceeds from the sale of those  
4 assets be would be liquidated and the proceeds donated to charity. His wife, Louise, died  
5 in 2007, and the Balsams Resort was sold in December 2011. The sale of the Balsams  
6 also involved the sale of the telephone company operations, pending approval of the  
7 Commission. However, we have found no buyer for the telephone company assets or  
8 operations with the necessary financial, technical and managerial qualifications. Since  
9 the indefinite closure of the resort almost three years ago, the number of telephone  
10 company customers can now be counted on the fingers of one hand. DTC is currently  
11 operating at a loss, and there is no prospect that this situation can be reversed.  
12 Consequently, it appears that the only solution is to dissolve the telephone company and  
13 migrate its few customers to other, comparable, types of telecommunications service.

14 Q. How many end user customers does DTC have?

15 A. DTC serves [REDACTED]  
16 [REDACTED]

17 Q. How many end user lines doe DTC have in service?

18 A. DTC has a total of four end user lines. [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

**REDACTED**

1 Q. What kind of service does DTC provide with those lines?

2 A. [REDACTED]

3 [REDACTED]

4 Q. How many minutes per month are these lines used?

5 A. For the seven months ending July 31, 2014, [REDACTED]

6 [REDACTED]

7 [REDACTED].

8 Please see Exhibit AW-1 for supporting detail. Regarding interstate access minutes of

9 use, i.e. long distance, [REDACTED]

10 [REDACTED]

11 [REDACTED] See Exhibit AW-3 for

12 supporting detail.

13 Q. How many calls, on average, do these lines handle a month?

14 A. For the seven months ending July 31, 2014, [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED] Please see Exhibit

18 AW-1 for supporting detail. I do not have information on the number of long distance

19 calls.

20 Q. How many wholesale customers does DTC have?

1 A. DTC has one wholesale customer, [REDACTED]

2 [REDACTED]

3 Q. How many wholesale lines does DTC have in service?

4 A. DTC provides [REDACTED], provided pursuant to DTC's Tariff

5 NH PUC No. 3, [REDACTED].

6 Q. How many employees does DTC have?

7 A. DTC has no full time employees. My duties with the Tillotson Corporation on behalf of

8 DTC include regulatory compliance, customer relations and billing and the management

9 of DTC's relationships with vendors.

10 Q. How does DTC conduct its operations with such a small staff?

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

12 Q. Is there anyone onsite in Dixville Notch to represent DTC's interests?

13 A. No. DTC's service area is essentially abandoned. Whenever a service call is needed,

14 Bretton Woods Telephone Company, under contract to DTC, dispatches its personnel

15 from its location in Bretton Woods, NH.

16 Q. What are DTC's monthly revenues?

17 A. Exhibit AW-2 displays DTC's financial performance for the eight months ending August

18 31, 2014. As shown in this exhibit, DTC's averages approximately \$10,800 per month in

1 revenue. There are some important facts about these figures.

2 First, over half of DTC's monthly revenue [REDACTED] comes from  
3 "Switched Access Revenue." This amount, however, does not reflect the actual revenue  
4 that DTC would ordinarily derive from the limited amount of access traffic that it  
5 handles. Rather, this figure represents payments to DTC from the federal Universal  
6 Service Fund ("USF") and the National Exchange Carrier Association ("NECA") access  
7 charge pool. The Universal Service Fund is a federal program that subsidizes high cost  
8 service areas through a fee that is added to bills nationwide for end user wireless  
9 telephone service and interstate voice service. Second, regarding the NECA pool, DTC is  
10 a member of the NECA access charge pool, whose members pool their access charge  
11 receipts and then draw from the pool in accordance with their individual costs of  
12 providing service. DTC averages fewer than 300 minutes per month of interstate access  
13 traffic. At the NECA tariffed rate of a few cents per minute (depending on whether the  
14 traffic is originating or terminating), this would ordinarily amount to less than \$10.00 per  
15 month, rather than the thousands of dollars it actually receives. Thus, virtually all of  
16 DTC's switched access revenue, and therefore half of its overall revenue, comes in the  
17 form of a subsidy from other members of the NECA pool or contributors to USF.  
18 Ultimately, these funds come from end users outside of the DTC service area.

19 Q. Is DTC operating at a profit?

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1    A.    No. As demonstrated by the financial statements in Exhibit AW-2, DTC is operating at a  
2           loss, even with the substantial subsidies it receives from outside.   DTC is on course to  
3           lose over \$29,000 in calendar 2014, and every year after that.

4    Q.    What are the prospects for DTC?

5    A.    Although there are periodic press reports of interest in developing the Dixville Notch  
6           area, I see no short term prospect for customer growth, and thus our losses will continue.  
7           Furthermore, these losses will increase as a result of staged reductions, and eventual  
8           elimination, of interstate access charges (mandated by the Federal Communications  
9           Commission), which will decrease the size of the NECA pool and therefore the subsidies  
10          that DTC draws from the pool.<sup>2</sup> If DTC is not allowed to discontinue its operations, it  
11          will continue to lose money and will continue to be a drain on the resources of its parent,  
12          the New Hampshire Charitable Foundation and the public at large through subsidies from  
13          the Universal Service Fund and the NECA pool.

14   Q.    Do you believe that it is in the public interest for DTC to discontinue its operations?

15   A.    Yes. Tens of thousands of dollars in public and charitable funds are being used to  
16          support [REDACTED]  
17          [REDACTED] and for whom reasonable alternatives are available.

18   Q.    Does this conclude your testimony?

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<sup>2</sup> See FCC Rule 51.909 "Transition of rate-of-return carrier access charges", 47 CFR § 51.909.

1     A.     Yes.