

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

NEW WINDSOR TELEPHONE COMPANY	}	
	}	
Application for approval of proposed corporate	}	Docket No. 12-0534
reorganization pursuant to Section 7-204 of the	}	
Public Utilities Act and for appropriate relief.	}	

DIRECT TESTIMONY OF TROY NIMRICK

ON BEHALF OF

NEW WINDSOR TELEPHONE COMPANY

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

2 **A.** My name is Troy Nimrick, and my business address is 305 South Fifth Avenue, P. O.
3 Box 488, New Windsor, IL 61465.

4 **Q. What position do you hold with New Windsor Telephone Company?**

5 **A.** I am the General Manager.

6 **Q. How long have you been employed by New Windsor Telephone Company?**

7 **A.** 7 1/2 years.

8 **Q. Is New Windsor Telephone Company (“New Windsor”) an Illinois corporation**
9 **with its principal office in New Windsor, Illinois, which provides local exchange**
10 **telecommunications services on a non-competitive basis to fewer than 35,000**
11 **subscriber access lines?**

12 **A.** Yes. We have approximately 479 access lines.

13 **Q. Does New Windsor Telephone Company have any wholly-owned subsidiaries?**

14 **A.** Yes, New Windsor owns all the stock in New Windsor Communications, Inc., which
15 owns all the stock in New Windsor Merger, Inc. These companies were incorporated
16 to accomplish the proposed reorganization. At the present time New Windsor
17 Telephone Company also owns all the stock in Windsor Tel, Inc., and New Windsor
18 Cable TV, Inc. Windsor Tel, Inc., manages outside investments and New Windsor
19 Cable TV, Inc., provides cable TV, high speed internet and long distance services.
20 New Windsor Cable TV, Inc., owns minority interests in limited liability companies
21 Western Illinois Network Services, LLC (WINS LLC), Western Illinois Video, LLC
22 (WIV LLC) and Tri Rural Independent Operations, LLC (TRIO LLC). These three

23 limited liability companies provide internet, video service, and long distance service
24 respectively.

25 **Q. What is New Windsor Telephone Company asking for the Commission to do in**
26 **this proceeding?**

27 **A.** New Windsor Telephone Company is seeking authority for a proposed reorganization
28 to create a holding company structure. Approval is sought in accordance with
29 Section 7-204 of the Public Utilities Act. Section 7-204 seems to require approval if
30 there is a change in shareholders even if the change in shareholders isn't a change in
31 the ultimate ownership and control.

32 **Q. Would you please describe the proposed reorganization and the corporate**
33 **actions contemplated?**

34 **A.** At this time, New Windsor Telephone Company is functioning as both an operating
35 company and a holding company, and we wish to change that. The structure we
36 desire to create can best be accomplished by the following actions. New Windsor
37 Telephone Company has incorporated New Windsor Communications, Inc., as a
38 wholly owned subsidiary. New Windsor Communications, Inc., has created a
39 wholly-owned Illinois subsidiary corporation called New Windsor Merger, Inc. New
40 Windsor Telephone Company has entered into an agreement to merge with New
41 Windsor Merger, Inc., with that agreement providing that New Windsor Telephone
42 Company will be the surviving corporation upon the completion of the merger and
43 will, by law, retain all assets, rights and liabilities as it held prior to the merger. The
44 Agreement is contingent upon Illinois Commerce Commission approval. This
45 agreement will also provide that New Windsor Telephone Company shareholders at

46 the time of the merger would exchange their New Windsor Telephone Company
47 shares for an equal number of shares of New Windsor Communications, Inc. That
48 will make New Windsor Communications, Inc., the parent of New Windsor
49 Telephone Company.

50
51 What I have described is referred to as a “reverse triangular merger.” Since New
52 Windsor Telephone Company is the surviving corporation in its merger with New
53 Windsor Merger, Inc., there is no transfer of regulated telephone company assets.
54 There will be no effect on the regulated assets and liabilities of New Windsor
55 Telephone Company as a result of this reorganization. The effect of these
56 transactions is to have the issued and outstanding shares of common stock of New
57 Windsor Telephone Company held and owned by New Windsor Communications,
58 Inc., and New Windsor Communications, Inc., will then be the holding company. As
59 I previously indicated, the shareholders of New Windsor Telephone Company at the
60 time of the merger would become shareholders of New Windsor Communications,
61 Inc., and the contemplated transactions involve no change in the ultimate ownership
62 and control of New Windsor Telephone Company. New Windsor Telephone
63 Company will immediately proceed with the necessary actions to effectuate the
64 merger upon receiving the Commission’s approval of this reorganization.

65 **Q. Please describe New Windsor Telephone Company Exhibit 1 and 2.**

66 **A.** Exhibit 1 is the Merger Agreement and Plan of Merger between New Windsor
67 Telephone Company and New Windsor Merger, Inc. Exhibit 2 is the Supplemental

68 Agreement between New Windsor Telephone Company, New Windsor Merger, Inc.,
69 and New Windsor Communications, Inc.

70 **Q. Please describe New Windsor Telephone Company Exhibit 3 and 4.**

71 Exhibit 3 illustrates the relationship of the companies before the merger and Exhibit
72 4 shows the company relationships after the reorganization as I have described
73 earlier. It removes New Windsor Telephone Company from its present role of a
74 holding company and it makes New Windsor Communications, Inc., the holding
75 company of New Windsor Telephone Company.

76 **Q. Why has New Windsor Telephone Company filed this Application with the**
77 **Commission?**

78 **A.** The New Windsor Telephone Company Board of Directors consulted with its
79 shareholders and sought the advice and recommendations of outside counsel and
80 accountants. Thereafter the Board of Directors decided that a corporate
81 reorganization is in the best interest of the companies to provide the operational
82 flexibility necessary to pursue and participate effectively in a competitive
83 environment. Essentially, there are 3 reasons for the reorganization.

84
85 First of all, under the present arrangement New Windsor Telephone Company
86 operates as the telephone operating company and also as a holding company of non-
87 regulated operations and both non-regulated and regulated actions will be publicly
88 reported. Under the Federal Communication Commission's Transformation Order
89 (*In the Matter of Connect America Fund*, WC Docket No. 10-90, GN Docket No. 09-
90 51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC

91 Docket No. 96-45, (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) eligible
92 telecommunications carriers are required to submit audits to the Federal
93 Communications Commission. Prior to the Transformation Order, New Windsor
94 Telephone Company did not have its business audited. Auditing standards require
95 the auditing of New Windsor Telephone Company and all its subsidiaries under the
96 present structure. That will unnecessarily increase the auditing costs and will
97 involve delays waiting for audit information from the companies that New Windsor
98 Telephone has invested with but cannot control. The proposed reorganization will
99 limit future audits to the telephone company operations and the non-regulated
100 competitive operations of Windsor Tel, Inc., WIV, LLC, WINS, LLC, and Tri Rural
101 Independent Operations, LLC, will not be audited or publically reported. In
102 addition, any other future non-regulated business pursuits under would avoid the
103 public reporting that is now required under the annual report.

104
105 Secondly, the Board feels that in order to be flexible and competitive, its non-
106 regulated business investments should be segregated from the telephone company.

107
108 Lastly, is the liability aspect. By the proposed reorganization, liability for operations
109 of different businesses may be limited to the company involved and may not
110 necessarily subject all of the assets of all of the businesses to a possible adverse
111 judgment. It is appropriate to segregate the operations and assets of the phone
112 company from the liabilities and potential risks associated with the pursuit of other
113 operations.

- 114 **Q. Who are the officers and directors of New Windsor Telephone Company?**
- 115 **A.** Neal Robb, President; Mark Johnson, Vice President; Richard Ristau,
116 Secretary/Assistant Treasurer; Milton Peterson, Treasurer; Lyle Johnson, Assistant
117 Treasurer; Gerald Young, Director; and Kirby Willems, Director.
- 118 **Q. Are the officers and directors of New Windsor Communications, Inc., the same**
119 **as New Windsor Telephone Company?**
- 120 **A.** Yes.
- 121 **Q. What was the initial stock purchase of New Windsor Telephone Company in**
122 **New Windsor Communications, Inc.?**
- 123 **A.** New Windsor Telephone Company has created New Windsor Communications, Inc.,
124 with an initial capital in the amount of \$1,000.
- 125 **Q. In connection with the requirements of Section 7-204 of the Act, let me ask you**
126 **whether the proposed reorganization you have described will diminish New**
127 **Windsor Telephone Company's ability to provide adequate, reliable, efficient,**
128 **safe and least-cost telecommunications service?**
- 129 **A.** No, it will not. The proposed reorganization will have no effect on the regulated
130 assets or liabilities of New Windsor Telephone Company.
- 131 **Q. Will the proposed reorganization result in any unjustified subsidization of non-**
132 **utility activities by New Windsor Telephone Company or its customers?**
- 133 **A.** No.
- 134 **Q. Will there be any service changes to the customers?**

135 A. No. Operationally and from a customer standpoint, there will not be any difference.
136 New Windsor Telephone Company will provide the same services that it has in the
137 past.

138 **Q. Will the costs and facilities continue to be fairly and reasonably allocated**
139 **between utility and non-utility activities in accordance with 83 Ill.Adm.Code**
140 **712, and in such a manner that the Commission may identify the costs and**
141 **facilities which are properly included by New Windsor Telephone Company for**
142 **ratemaking purposes?**

143 A. Yes. We will continue to do so after the merger.

144 **Q. I show you a document which has been marked as New Windsor Telephone**
145 **Company Exhibit 5 and ask if you can identify the document.**

146 A. Yes. Applicant's Ex. 5 is a copy of New Windsor Telephone Company's pro forma
147 financial statements for the year ended December 31, 2011. This statement reflects
148 what the regulated phone company assets and liabilities would be like after the
149 merger if it had occurred on that date. We believe that this reasonably approximates
150 what the financial condition of the phone company will look like if the merger can be
151 completed.

152 **Q. How does Exhibit 5 compare to the present structure of New Windsor**
153 **Telephone Company?**

154 A. Basically, the only thing that is changing is that the subsidiary companies are not
155 going to be showing up in the below the line-type items on the income statement, and
156 the assets of the present subsidiaries are not going to show up on the telephone
157 company's books because those subsidiaries will be owned by the holding company,

158 New Windsor Communications, Inc. Therefore, Exhibit 5 illustrates New Windsor
159 Telephone Company's financial condition had the reorganization been completed as
160 of December 31, 2011.

161 **Q. Will the proposed reorganization significantly impair New Windsor Telephone**
162 **Company's ability to raise necessary capital on reasonable terms and to**
163 **maintain a reasonable capital structure?**

164 **A.** No. The reorganization accomplished by this merger will not impair New Windsor
165 Telephone Company's ability to raise necessary capital on reasonable terms or
166 continue to maintain a reasonable capital structure for its local exchange service.

167 **Q. Does New Windsor Telephone Company raise capital today?**

168 **A.** New Windsor Telephone Company is not in debt today and it can borrow from its
169 affiliates or from local banks if it needs to, although it has not borrowed money for
170 several years.

171 **Q. After the reorganization, will New Windsor Telephone Company have access to**
172 **the same capital as it did before the merger?**

173 **A.** Yes.

174 **Q. Will New Windsor Telephone Company, as a subsidiary of New Windsor**
175 **Communications, Inc., remain subject to all applicable laws, regulations, rules,**
176 **decisions and policies governing the regulation of Illinois telecommunications**
177 **carriers?**

178 **A.** Yes. New Windsor Telephone Company acknowledges that the Company will
179 remain subject to all applicable laws, regulations, rules, decisions and policies
180 governing our regulation by this Commission.

181 **Q. Will the proposed reorganization have any significant adverse impact on**
182 **competition in those markets over which the Commission has jurisdiction?**

183 **A.** No. The reorganization of New Windsor Telephone Company will not have any
184 adverse impact at all on competition of local exchange service.

185 **Q. Will the proposed reorganization likely result in any adverse rate impact on**
186 **end-user customers?**

187 **A.** The reorganization itself will not result in any local exchange rate increase on our
188 customers.

189 **Q. Does New Windsor Merger, Inc. have any employees?**

190 **A.** No. It was incorporated to facilitate this reorganization and it doesn't conduct any
191 business.

192 **Q. Do you anticipate any savings resulting from the proposed merger?**

193 **A.** No. The merger is "in house" and not with an outside company. Actually, this
194 reorganization simply places the phone company in a subsidiary type of arrangement,
195 and there will not be any cost savings or actual change in ownership, management or
196 control.

197 **Q. Are you requesting the Commission to approve the proposed reorganization?**

198 **A.** Yes.

199 **Q. Does this conclude your testimony?**

200 **A.** Yes.

201 End of Testimony