

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 20th day
of December, 2007.

In the Matter of the Application of Kingdom Telephone)	
Company for Authority to Borrow an Amount Not to)	
Exceed \$5,000,000 from CoBank Under a Twelve (12))	<u>Case No. IF-2008-0139</u>
Year Secured Credit Facility and in Connection Therewith)	
to Execute a Lien and Security Interest.)	

ORDER APPROVING FINANCING APPLICATION

Issue Date: December 20, 2007

Effective Date: December 30, 2007

On November 2, 2007, Kingdom Telephone Company, Inc., filed its application seeking authority to borrow certain funds and to pledge substantially all its assets as security for the loan. Kingdom Telephone is a small, rural incumbent local exchange carrier serving seven exchanges in the counties of Audrain, Calloway, and Montgomery. Kingdom Telephone seeks authority to borrow up to \$5,000,000 from CoBank, ACB, in order to fund capital improvements and to finance its operating needs.

On November 7, 2007, the Commission issued an order directing its Staff to file a recommendation regarding the application. Other parties wishing to respond to the application were also given the opportunity to do so. Staff filed its recommendation and memorandum on December 5, 2007. No other responses have been received.

Kingdom Telephone proposes to borrow an amount, not to exceed \$5 million, from CoBank, ACB. CoBank is part of the Farm Credit System, which is a nationwide financial cooperative that lends money and provides financial services to agriculture and

rural America. Staff states that over the past five years, Kingdom Telephone has invested money in operating plant with internally generated funds. Earlier this year, the Company paid off the remaining balance of its prior financing, so the financing proposed in this application will reimburse moneys previously expended on plant and also provide funding for various capital improvement projects. Staff has reviewed the proposed financing with Kingdom Telephone and believes that the use of the funds is reasonable. Based upon its review, Staff recommends that the Commission approve the application as not detrimental to the public interest in this case, subject to the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the ratemaking treatment to be afforded this financing transaction and its impact on cost of capital, in any later proceeding.
2. That Kingdom Telephone shall file with the Commission any information concerning deviations from all final terms and conditions on this financing in its application including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, and portion subject to the fee schedule and loan or indenture agreement concerning each issuance.
3. That Kingdom Telephone shall file with the Commission any information concerning deviations from the use of the funds stated in its application that would materially change the pro forma capitalization and financial ratios submitted with its application.
4. That within 30 days after execution of draw-down, Kingdom Telephone shall file a report with the Commission's Budget and Fiscal Services Department reflecting the amount of the draw-down and use of the proceeds so that the fee schedule may be applied.
5. That the Commission find that the money, property and labor to be procured by this transaction is reasonably required for the purposes specified above, and that no part of the proceeds shall be reasonably chargeable to operating expenses or to income.
6. That the Commission grant such further relief in this matter as it may deem necessary.

Kingdom Telephone did not file a response to Staff's recommendation. Although the Office of the Public Counsel is a party to this case, it did not file a recommendation or a response to Staff's recommendation.

The Commission has reviewed and considered Kingdom Telephone's application and the recommendation of its Staff, and concludes that the proposed transaction in an amount up to \$5 million is not detrimental to the public interest and shall be approved. The Commission will require Kingdom Telephone to comply with the conditions recommended by Staff as ordered below.

IT IS ORDERED THAT:

1. The application filed by Kingdom Telephone Company on November 2, 2007, is approved with the conditions set out below.
2. Kingdom Telephone Company is authorized to borrow up to \$5 million from the CoBank, ACB.
3. Kingdom Telephone Company is authorized to execute and deliver promissory notes in order to complete the transactions.
4. Kingdom Telephone Company is authorized to do any and all other things incidental, necessary or appropriate to the performance of any and all acts specifically authorized in this order, including executing all documents necessary for the financing authorized in this proceeding.
5. The money, property and labor to be procured by the authorized transactions are reasonably required for the purposes specified above, and no part of the proceeds shall be reasonably chargeable to operating expenses or to income.

6. Within 30 days of the execution of a draw-down, Kingdom Telephone Company shall file a report with the Commission's Budget and Fiscal Services Department reflecting the amount of the draw-down and the use of proceeds so that the fee schedule may be applied.

7. Nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes.

8. The Commission reserves the right to consider the ratemaking treatment to be afforded these transactions and the resulting cost of capital in a later proceeding.

9. This order shall become effective on December 30, 2007.

10. This case may be closed on December 31, 2007.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Clayton, Appling,
and Jarrett, CC., concur.
Murray, C., dissents.

Dippell, Deputy Chief Regulatory Law Judge