

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 13th day
of October, 2005.

In the Matter of the Application of Green Hills)
Telephone Corporation for Authority to Borrow)
an Amount Not to Exceed \$22,704,000 from the)
United States of America Acting through the)
Rural Utilities Service and the Rural Telephone)
Bank and in Connection Therewith to Execute)
a Loan Agreement, Promissory Note, and a)
Restated Mortgage Security Agreement and)
Financing Statement.)

Case No. IF-2005-0506

**ORDER APPROVING FINANCING APPLICATION
AND GRANTING PROTECTIVE ORDER**

Issue Date: October 13, 2005

Effective Date: October 23, 2005

Syllabus: This order approves the application of Green Hills Telephone Corporation to borrow up to \$9.5 million and to pledge substantially all its assets as security for the loan in order to fund capital improvements and to finance the operating needs of the Applicant.

On June 30, 2005, Green Hills Telephone Corporation filed its Application seeking authority to borrow certain funds and to execute and deliver certain promissory notes using a portion of its system as security for those notes.

Green Hills is a small, rural incumbent local exchange carrier (ILEC) with approximately 3,200 customers in 13 exchanges in Caldwell, Carroll, Daviess, Linn, Livingston, and Ray Counties, Missouri. Green Hills seeks authority to borrow up to

\$22,704,000 from the Rural Utility Services Administration (RUS) of the United States Department of Agriculture for the construction and improvement of its facilities including providing digital loops and broadband capability to all existing and new customers by the end of 2015.

The Commission's Staff filed its Memorandum and Recommendation on September 9, 2005. Staff stated that according to the pro forma financial documents provided by Green Hills, even though the company requests authority to borrow up to \$22,704,000, the company intends to actually borrow only \$9.5 million in five loan draws between now and March 31, 2008. Staff recommended that Green Hills be authorized to borrow up to \$9.5 million. Staff stated that in its opinion the loan of \$9.5 million was not detrimental to the public interest. Staff also requested that the Commission issue an order with the following conditions:

- A. That 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;
- B. That the company shall submit an application for Commission approval if Green Hills needs to borrow more than \$9.5 million from RUS;
- C. Within 30 days after the execution of draw-down, the company 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;
- D. Finding that the money, property and labor to be procured by said 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; and

- E. Granting such further relief in this matter as the Commission may deem necessary.

Green Hills 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.

As part of its recommendation, Staff included information provided by the company which is considered proprietary. Staff filed a motion on October 7, 2005, requesting that the Commission protect that information from public disclosure. The Commission determines that the information shall be protected as ordered below.

The Commission has reviewed and considered Green Hills' application and the Recommendation and Memorandum of Staff and concludes that the proposed transaction in an amount up to \$9.5 million is not detrimental to the public interest and shall be approved. The Commission will require Green Hills to comply with the conditions recommended by Staff as ordered below.

IT IS THEREFORE ORDERED:

1. That the Motion for Protective Order filed by the Staff of the Commission on October 7, 2005, is granted.
2. That the information noted as Proprietary contained in Staff's Memorandum filed on September 9, 2005, shall be protected from public disclosure.
3. That the Application filed by Green Hills Telephone Corporation on June 30, 2005, is approved with the conditions set out below.

4. That Green Hills Telephone Corporation is authorized to borrow up to \$9.5 million from the Rural Utilities Service.

5. That Green Hills Telephone Corporation is authorized to execute and deliver promissory notes in order to complete the transactions.

6. That Green Hills Telephone Corporation 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.

7. That Green Hills Telephone Corporation shall apply for further approval to borrow more than \$9.5 million.

8. That 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.

9. That within 30 days of the execution of a draw-down, Green Hills Telephone Corporation 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.

10. That nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes.

11. That 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.

12. That this order shall become effective on October 23, 2005.
13. That this case may be closed on October 24, 2005.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

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

Dippell, Senior Regulatory Law Judge