

ANDERECK, EVANS, MILNE, PEACE & JOHNSON, L.L.C.

ATTORNEYS AT LAW

700 EAST CAPITOL AVENUE
COL. DARWIN MARMADUKE HOUSE
P.O. BOX 1438
JEFFERSON CITY, MISSOURI 65102-1438
TELEPHONE 573-634-3422
FAX 573-634-7822

TERRY M. EVANS
ERWIN L. MILNE
JACK PEACE
CRAIG S. JOHNSON
RODRIC A. WIDGER
GEORGE M. JOHNSON
BEVERLY J. FIGG
WILLIAM S. LEWIS
VICTOR S. SCOTT
COREY K. HERRON
MATTHEW M. KROHN
LANETTE R. GOOCH
SHAWN BATTAGLER

JOSEPH M. PAGE
LISA C. CHASE
JUDITH E. KOEHLER
ANDREW J. SPORLEDER
JASON A. PAULSMEYER
BRYAN D. LADE
CONNIE J. MORLEY
R. AARON MARTINEZ
DUSTIN G. DUNKLEE
AMANDA N. KLEIN
MARVIN L. SHARP, Of Counsel

April 8, 2005

EUGENE E. ANDERECK (1923-2004)
GREGORY C. STOCKARD (1904-1993)
PHIL HAUCK (1924-1991)

FILED

APR 08 2005

Missouri Public
Service Commission

Dale Roberts
Secretary
Missouri Public Service Commission
200 Madison St.
P.O. Box 360
Jefferson City, MO 65102

Re: Alma Telephone Company; Application for Loan Approval, Security Approval, and Accounting Authority Orders; Motion for Protective Order; and Motion for Expedited Treatment.

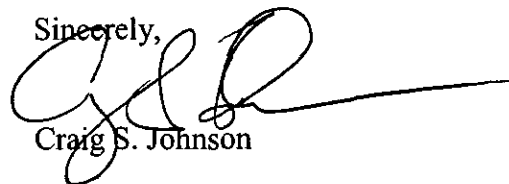
Dear Secretary Roberts:

Enclosed for filing please find an original and filing copies of an Application for loan and security approval, with requested accounting authority orders, and separate Motions requesting a Protective Order and that these requests be acted on by June 10, 2005.

A copy has been served upon Staff counsel, OPC, and Mr. John Van Eschen.

Thank you for your attention.

Sincerely,



Craig S. Johnson

cc: Dan Joyce
Michael Dandino
John Van Eschen
Andy Heins
Bill Warinner

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

FILED²
APR 08 2005
Missouri Public
Service Commission

In the Matter of the Application of)
Alma Communications Company)
d/b/a Alma Telephone Company)
for Authority and Approval to Issue) Case No. _____
a Note, Loan Agreement, Mortgage,)
Security Agreement, and Financing)
Statement, to borrow funds from)
the Rural Utility Services of the)
United States of America, for interim)
financing, and for Section 392.280.2)
RSMo (HB 360) Accounting Authority)
Orders)

**APPLICATION OF ALMA COMMUNICATIONS COMPANY FOR
AUTHORITY AND APPROVAL TO ISSUE A NOTE AND ENTER INTO A
LOAN AGREEMENT, MORTGAGE, SECURITY AGREEMENT, AND
FINANCING STATEMENT TO BORROW FUNDS FROM THE RURAL
UTILITY SERVICES OF THE UNITED STATES OF AMERICA, FOR INTERIM
FINANCING APPROVAL, AND FOR SECTION 392.280.2 RSMO (HB 360)
ACCOUNTING AUTHORITY ORDERS**

Comes now Applicant Alma Communications Company d/b/a Alma Telephone Company (hereinafter "Alma"), pursuant to § 392.290 RSMo, §392.300 RSMo, and §392.310 RSMo, and requests the Commission to grant this Application and grant Alma authority to enter into and execute a note, loan agreement, and related security instruments with the Rural Utility Services Administration of the Department of Agriculture of the United States of America (RUS). In support of this Application, Alma states as follows:

1. Alma is a Missouri corporation in good standing. Alma's Certificate of Good Standing issued by the Missouri Secretary of State is attached to this Application as

Attachment 1. Alma has been incorporated for the purpose of, and in fact is engaged in the business of, operating an incumbent local exchange telecommunications company, and other business operations.

2. In Case No. TM-2002-299, Alma Communications Company was permitted to do business as Alma Telephone Company, a predecessor entity to Alma Communications Company. An adoption notice thereof became effective April 5, 2002. as shown on Alma's PSC No. 3, First Revised Adoption Notice page.

3. The street and mailing address of Alma's principal office and place of business is:

Andrew Heins
Manager
Alma Telephone Company
206 S. County Road
Alma, MO 64001
(660) 674-2297
(660) 674-2613 fax

4. Correspondence, communications, pleadings, and orders and decisions in this proceeding should be sent to Alma at the above address, and also to Alma's counsel of record in this proceeding:

Craig S. Johnson MO Bar No. 28179
ANDERECK, EVANS, MILNE,
PEACE & JOHNSON, L.L.C.
700 East Capitol Ave
Post Office Box 1438
Jefferson City, Missouri 65102
Telephone: (573) 634-3422
Facsimile: (573) 634-7822
email: CJohnson@AEMPB.com

Loan and Security Authorization Requests

5. Alma of Missouri Inc. provides basic local telecommunications services, and exchange access services, to customers within the state of Missouri, pursuant to prior Orders of the Commission granting Alma certificates of authority, approving tariffs, and granting certain waivers of statutes and Commission rules as routinely provided to an incumbent local exchange company.

6. Alma is a small rural telephone company providing service to approximately 350 customers in a relatively small area north of Concordia, in an about the town of Alma. Alma's last construction project wherein subscriber lines and plant were comprehensively upgraded was in approximately 1972. That plant is fully used, fully depreciated, and is in need of replacement with more modern plant.

7. Alma currently owns and operates a Mitel switch, a digital switch purchased and installed by Alma in approximately 1992. Mitel has announced in will no longer support this switch with the upgrades necessary to meet certain state and federal regulatory requirements such as CALEA, and local number portability. Alma needs to upgrade its switching facilities in order to be able to continue to provide adequate services to its customers, and improve service, in order to meet the requirements of CALEA. Alma needs to upgrade its switching facilities in order to be able to meet certain regulatory requirements such as local number portability, for which Alma has recently received a suspension from this Commission in order to acquire and install a switch that will be capable of accommodating intermodal local number portability.

8. Alma has determined that the next two years is the most opportune time to replace the Mitel switch with a next generation "softswitch" with IP technology, and

replace the subscriber lines and plant with fiber to the home of Alma's customers. Alma has determined that this will provide the best opportunity for its rural customers to have adequate bandwidth in a rural area upon which to receive the maximum amounts and types of voice, data, and video services in the future. In order to acquire a new switch, install new fiber, and pay for the equipment and services necessary therefore, Alma is in need of a loan.

9. Alma has secured a loan commitment from the RUS, the finalization of which is subject to this Commission's approval pursuant to § 392.290 RSMo, §392.300 RSMo, and §392.310 RSMo. Alma is in need of this Commission's approval of note, loan agreement, mortgage, security agreement and financing statement. RUS has already approved the construction plan, the loan application, and has in fact executed the RUS loan documents. Alma will not execute them until approval from this Commission is received. Copies of these documents are attached hereto as Attachments 2 HC, 3 HC, 4 HC, and 5 HC.

10. The general terms and conditions to be contained in the note and loan agreement provide for a loan in a total amount up to \$5,579,000 with a repayment term and interest rate as set forth in the attached loan agreement. The construction schedule calls for the switch to be installed in, and construction of the fiber to the home facilities in 2005 and 2006. The loan schedule calls for an initial loan draw down amount of \$1,925,000 in 2005 and a subsequent loan draw down amount of \$2,600,000 in 2006. There will also be a need for initial temporary or interim financing until receipt of the initial RUS loan draw down amount.

11. The terms and conditions of the RUS security in Alma's property is set forth in the attached mortgage, security agreement, and financing statement.

12. A certified copy of the resolution of Alma authorizing this loan and security transaction is set forth hereto as Attachment 6.

13. The amount of the loan for which approval is sought herein is subject to the fee schedule set forth in § 386.300 RSMo.

14. Because Alma's last major construction project occurred over 30 years ago, Alma currently has no long term debt, and enjoys one hundred percent equity. Due to the large magnitude of the debt necessary to finance switch replacement and installation of fiber to the home, one result of the financing of these projects will, for a period of time, result in Alma's debt rising to a level that may be considered outside of generally accepted ratios. Attached hereto as Attachment 7 HC are project and lending assumptions, projected or pro forma income statements, balance sheets, statements of cash flows, annual construction cost and plant addition estimates, annual summary of plant and accumulated depreciation estimates, amortization tables, and a five year capitalization schedule. A motion for a protective order to protect the confidentiality of this confidential information is being separately requested simultaneous with the filing of this Application.

15. Alma states that the projections contained in Attachment 7 HC are conservative, and do not include additional revenues it is expected Alma will receive for lease of the new facilities for the use of wider bandwidth for various data, voice, and/or video use. The projections assume that the amortization and depreciation accounting

authority orders later requested herein are granted. Attached hereto as Attachment 8 HC is a schedule containing an analysis of the proposed change in the depreciation rates.

Accounting Authority Order Requests

16. Pursuant to one provision of 1987 H.B. 360, or Section 392.280.2 RSMo 2004, Alma hereby requests telephone authority orders, or accounting orders, or depreciation orders allowing it to book, for all purposes other than ratemaking, as follows:

- a. an extraordinary retirement of unrealized depreciation in the amount of \$122,396 for the replaced Mitel switch in equal amounts in 2006, 2007, and 2008.
- b. An extraordinary retirement of unrealized depreciation in the amount of \$15,930 for the replacement of the telephone company building in equal amounts in 2006, 2007 and 2008.
- c. an extraordinary retirement of unrealized depreciation in the amount of \$146,074 for replaced outside plant in equal amounts in 2006, 2007, and 2008.
- d. for the year 2005 and subsequent years, to book depreciate expenses in excess of those provided by Alma's existing minimum depreciation rates, which will more appropriately reflect the actual useful life of modern technology, plant, and equipment, as follows:

| <u>Account</u> | <u>Rates that will be Booked</u> |
|---------------------------|----------------------------------|
| Motor Vehicles | 20% |
| Garage Equip | 10% |
| Work Equip | 10% |
| Buildings | 2.86% |
| Furniture | 10% |
| Office Support Equip | 10% |
| Office Commun Equip | 10% |
| Other Work/Test Equipment | 10% |

| | |
|-----------------------------|-------|
| Gen Purp Computers | 20% |
| Digital Switching | 8.33% |
| Digital Circuit/DLC Equip | 10% |
| Lightwave Circuit Equipment | 10% |
| Non-metallic UG Cable | 5% |
| Non-metallic Buried Cable | 5% |
| Conduit Systems | 5% |

17. Alma has no pending action or final unsatisfied judgments or decisions against them from any state or federal agency or court that involve customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application.

18. Alma has no any annual report or assessment fees which are overdue.

19. Granting of the loans, security, and accounting authority orders set forth above are not detrimental to the public interest, and will in fact be of benefit to the customers of Alma, their quality of life, and to the economic development of the rural areas in which they reside.

WHEREFORE, on the basis of the foregoing, Alma respectfully requests an Order granting it approval and authority to enter into, and execute the documents necessary to do the following:

- A. Obtain interim financing;
- B. Obtain a loan from the United States of America in an amount up to but not exceeding \$5,579,000 to issue the loan and security as is set forth above, and provide the United States of America security in the assets of Alma therefore;

- C. Book amortization of unrealized depreciation in the amounts set forth in paragraph 16(a), 16(b) and 16(c) above;
- D. Book depreciation amounts as determine by the rates requested to be allowed Alma in paragraph 16(d) above.

**ANDERECK, EVANS, MILNE,
PEACE & JOHNSON, L.L.C.**

By 

Craig S. Johnson MO Bar No.28179
Lisa Cole Chase MO Bar No. 51502
700 East Capitol Avenue
The Col. Darwin Marmaduke House
Post Office Box 1438
Jefferson City, Missouri 65102
Telephone: (573) 634-3422
Facsimile: (573) 634-7822

CERTIFICATE OF SERVICE

The undersigned does hereby certify that a true and accurate copy of the foregoing was mailed, via U.S. Mail, postage prepaid, this 8 day of April, 2005, to Staff General Counsel Dan Joyce, and to Office of Public Counsel Michael Dandino.


Craig S. Johnson MO Bar No. 28179

VERIFICATION

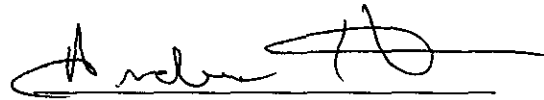
State of Missouri)
) ss.
County of Lafayette)

Comes now Andrew Heins, being of lawful age and duly sworn, swears and affirms that:

1. My name is Andrew Heins. I am the Manager of Alma Communications Company d/b/a Alma Telephone Company. In that capacity I am authorized by Alma Telephone Company to apply for Missouri Commission approval of the requests contained in this Application.

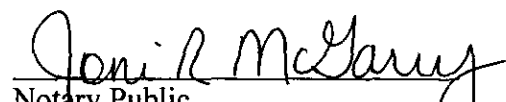
2. The information contained in this Application is true and accurate to the best of my knowledge, information, and belief.

3. Alma Telephone Company has authorized Craig S. Johnson and the firm of Andereck, Evans, Milne, Peace, and Johnson, LLC to file and prosecute this application before the Missouri Public Service Commission.


Andrew Heins

Subscribed and sworn to before me this 30 day of March, 2005.

JONI R. MCGARRY
Notary Public-Notary Seal
State of Missouri
Lafayette County
My Commission Expires Oct 31, 2006


Notary Public

My Commission expires 10-31-06

