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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of Steelville)
Telephone Exchange, Inc., for Authority to)
Borrow an Amount Not to Exceed \$9,866,100 from)
the Rural Utilities Service and the Rural) Case No. TF-99-318
Telephone Bank and in Connection Therewith to)
Execute a Telephone Loan Contract Amendment,)
Promissory Notes, and a Restated Mortgage,)
Security Agreement and Financing Statement.)

ORDER DIRECTING FILING

Steelville Telephone Exchange, Inc. (STE), filed its application on January 27, 1999, seeking authority to borrow an amount not to exceed \$9,866,100 from the Rural Utilities Service (RUS) and the Rural Telephone Bank (RTB), and to execute various promissory notes and security agreements in association with the proposed loan. STE avers that the proposed loan will be used to improve and modernize its facilities and, possibly, to discharge or retire existing indebtedness. Specifically, STE states that the loan proceeds will be used to: purchase and install a new tandem switching platform; deploy three remotes from the new tandem; replace aerial cable with underground cable; engineer and construct new outside plant, permitting the delivery of enhanced services to subscribers; and break existing outside plant into multiple Customer Serving Areas.

STE proposes to enter into a loan agreement with RUS, the Amending Telephone Loan Contract, pursuant to RUS' project, "Missouri

536-N12 Steelville." STE proposes to execute and deliver a mortgage note to the United States of America, acting through the RUS, in the amount of \$6,231,000, payable within twenty-two years and bearing interest at a variable rate which may exceed seven percent annually, and a second mortgage note to RTB in the amount of \$3,635,100, payable within twenty-two years and bearing interest at a variable rate. As security, STE proposes to execute and deliver a restated mortgage, security agreement and financing statement covering substantially all of its assets.

The Staff of the Commission (Staff) filed its recommendation in this matter on March 4, 1999, and its corrected recommendation on March 18, 1999. No responses to either of Staff's recommendations were received. The Staff recommends approval of the proposed financing.

The Commission desires additional information prior to acting on STE's application. In particular, STE must update its *pro forma* financial statements, Appendix 7 to its Application, to reflect a ten-year period, beginning in 1999. Additionally, STE must inform the Commission as to how it intends to service this debt and whether any new revenues are anticipated during the term of the proposed obligation.

IT IS THEREFORE ORDERED:

1. That Steelville Telephone Exchange, Inc., shall amend its *pro forma* financial statements, submitted as Appendix 7 to its Application, to reflect a ten-year period beginning with 1999. Steelville Telephone Exchange, Inc., shall file its amended *pro forma* financial statements within ten days of the effective date of this order,

2. That Steelville Telephone Exchange, Inc., shall, within ten days of the effective date of this order, file a pleading explaining: (1) how Steelville Telephone Exchange, Inc., shall service the proposed new long-term debt; and (2) whether any new revenues are anticipated over the term of the proposed debt.

3. That this order shall become effective on April 20, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Kevin A. Thompson, Deputy Chief
Regulatory Law Judge, by delegation
of authority pursuant to 4 CSR
240-2.120(1), (November 30, 1995)
and Section 386.240, RSMo 1994.

Dated at Jefferson City, Missouri,
on this 8th day of April, 1999.

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COMMISSION COUNCIL
PUBLIC SERVICE COMMISSION