

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 2nd
day of September, 1999.

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)	<u>Case No. TF-99-318</u>
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 APPROVING STIPULATION
AND AGREEMENT

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. In its application, STE stated that the proposed loan would be used to improve and modernize its facilities and, possibly, to discharge or retire existing indebtedness.

On April 8, 1999, the Commission directed STE by order to file additional information in support of its application. The Commission directed STE to update its *pro forma* financial statements, Appendix 7 to its Application, to reflect a ten-year period, beginning in 1999. Additionally, the Commission directed STE to inform the Commission as to

how it intended to service the proposed debt and whether any new revenues are anticipated during its term. STE filed the requested information on April 30, 1999, and simultaneously requested a protective order to protect highly confidential and proprietary information contained therein. The Commission issued the requested protective order on May 3, 1999.

Thereafter, on May 27, 1999, the Commission approved the requested financing. Staff had recommended that the Commission approve the financing subject to a condition. The Commission accepted Staff's recommendation and included the following language in the order, as paragraph 4:

That Steelville Telephone Exchange, Inc., shall henceforth maintain an equity ratio greater than or equal to 40.0 percent and that Steelville Telephone Exchange, Inc., shall not allow its equity ratio to fall below 40.0 percent without specific prior authority from this Commission.

On June 7, 1999, STE filed its Application for Reconsideration or Rehearing. In its response to STE's application for rehearing, filed on June 25, 1999, Staff supported STE's application for reconsideration and suggested that the order of May 27, 1999 be modified. The Commission granted STE's application on July 6, 1999, and invited the parties to submit a Stipulation and Agreement embodying the suggested modification. The Commission also set a prehearing conference and directed the parties to submit a proposed procedural schedule. The parties did so.

On August 26, 1999, the parties filed their stipulation and agreement (S&A). The S&A provides that STE will "make every effort to

maintain an equity ratio of at least 40 percent." The S&A also recognizes that STE's equity ratio may fall below 40 percent from time-to-time. The S&A sets out notification and other procedures regarding STE's equity ratio. Basically, temporary fluctuations below 40 percent will be ignored and STE will seek prior approval from the Commission in the event that its "average equity ratio" will fall below 40 percent.

The "average equity ratio" is an average equity figure for a twelve-month period beginning in the month STE's equity ratio first falls below 40 percent.

The Commission finds that the procedures set out in the S&A are reasonable and are sufficient to safeguard the public. The Commission further finds that the Order of May 27, 1999 should be modified as proposed by the parties in the S&A.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement entered into by Steelville Telephone Exchange, Inc., and the Staff of the Missouri Public Service Commission on August 26, 1999, a copy of which is attached hereto as Exhibit A, is approved.

2. That the Commission's Order Approving Financing, issued on May 27, 1999, is modified in that Ordered Paragraphs 4 and 6 are stricken therefrom and the Stipulation and Agreement of the parties is incorporated therein by reference.

3. That this order shall become effective on September 14, 1999.

BY THE COMMISSION

A handwritten signature in dark ink, appearing to read "Dale Hardy Roberts". The signature is written in a cursive, somewhat stylized script.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Murray, Schemenauer,
and Drainer, CC., concur
Crumpton, C., absent

Thompson, Deputy Chief Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

FILED

AUG 26 1999

Missouri Public
Service Commission

Inn 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 Telephone Bank and)
in Connection Therewith to Execute a)
Telephone Loan Contract Amendment,)
Promissory Notes, and a Restated)
Mortgage, Security Agreement and)
Financing Statement.)

Case No. TF-99-318

STIPULATION AND AGREEMENT

COME NOW the undersigned parties to this proceeding, and for their Stipulation and Agreement, respectfully state as follows:

1. On January 27, 1999, Steelville Telephone Exchange, Inc. ("Steelville" or "Company") filed with the Missouri Public Service Commission ("Commission") its Application requesting 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.

2. On March 4, 1999, the Commission's Staff ("Staff") filed a Memorandum with the Commission, wherein it recommended approval of the Company's request, subject to certain conditions. (Note: Staff filed Revised and Clarification memoranda on March 18th and March 26th respectively, but its recommendation remained unchanged.)

3. On April 8, 1999, the Commission issued an Order Directing Filing, requiring Steelville to file additional information in support of its Application.

4. On April 30, 1999, Steelville filed its Response to the Commission's April 8th Order. The Company's Response included a request that the Commission, in approving Company's Application, decline to impose a condition recommended by Staff, namely, that Steelville be required to maintain an equity ratio equal to or greater than 40 percent. Notwithstanding the Company's request, the Commission, in its May 27, 1999 Order Approving Financing, ordered: "That Steelville Telephone Exchange, Inc., shall henceforth maintain an equity ratio greater than or equal to 40.0 percent and that Steelville Telephone Exchange, Inc., shall not allow its equity ratio to fall below 40.0 percent without specific prior authority from this Commission."

5. On June 7, 1999, Steelville, objecting to the Commission's requirement that it maintain a 40 percent equity ratio, filed an Application for Reconsideration or Rehearing. Staff, on June 25th, filed a response in support of Steelville's request for reconsideration, and the Commission, in a July 6, 1999 Order, granted the Company's Application.

6. In accordance with the July 6th Order, the Company and Staff on July 19, 1999 attended a prehearing conference, and on July 26th, filed a Proposed Procedural Schedule. Said Procedural Schedule, which was incorporated by the Commission in its July 29, 1999 Order Adopting Procedural Schedule, included a requirement that the Company file Direct testimony by August 25, 1999.

7. It is to be noted that the Office of the Public Counsel ("Public Counsel") has stated that it does not intend to take an active position in this case. Hereinafter the term "the Parties" shall mean the signatory parties; i.e., Steelville and the Staff.

8. On August 23, 1999, the Parties, having reached an agreement in principle in this matter, filed a motion requesting suspension of the procedural schedule in order to allow the Parties to complete the drafting of this Stipulation and Agreement for presentation to the Commission. That very same day, the Commission responded with its Order Adjusting Procedural Schedule, wherein the following modified procedural schedule was established:

Direct Testimony by Company	September 7, 1999 (3:00 PM)
Rebuttal by all parties	September 21, 1999 (3:00 PM)
Statement of Issues	September 28, 1999 (3:00 PM)
Surrebuttal/Cross-Surrebuttal by all parties	October 5, 1999 (3:00 PM)
Statement of Positions on the Issues (each party)	October 15, 1999 (3:00 PM)
List and Order of Witnesses	October 15, 1999 (3:00 PM)
Evidentiary Hearing	October 26, 1999 (9:00 AM)

9. The Parties, having thoroughly reviewed and considered their respective positions regarding all issues to be resolved in this case, have entered into this Stipulation and Agreement. Accordingly, the Parties stipulate and agree as follows:

10. The Company agrees that it will make every effort to maintain an equity ratio of at least 40 percent. However, the Company asserts that its equity ratio may fall below the 40 percent level on occasion due to efforts put forth by the Company in meeting competition and

system upgrades. In recognition of its obligation to maintain an equity ratio of 40 percent, the Company agrees to follow the procedures set forth in paragraphs 11 through 13 below.

11. When it is evident to the Company that its equity ratio will fall below 40 percent, but the Company is reasonably certain that its average equity ratio, for the twelve-month period commencing in the month the equity ratio falls below 40 percent, will be at least 40 percent, the Company shall not be required to so notify the Commission or the Commission's Financial Analysis Department.

12. When it becomes evident to the Company that it will need to maintain an equity ratio below the authorized 40 percent level for a period that will cause its average equity ratio, as defined in Paragraph 11 above, to fall below 40 percent, the Company shall, immediately upon making such determination, file an Application with the Commission requesting authorization to continue its borrowing program and to maintain a minimum equity ratio below 40 percent. In its Application, the Company shall be required to designate both the equity ratio it intends to maintain and the specific length of time for which the Company expects to maintain an equity ratio below the authorized 40 percent level.

The Application shall also include:

1. The reason(s) why the Company believes it is appropriate to receive a variance of the 40 percent equity ratio requirement;
2. A detailed plan of action for achieving a return to the 40 percent equity ratio, as well as a plan describing what actions the Company will take to ensure that the equity ratio does not continually fall below the authorized minimum equity ratio of 40 percent for extended periods of time; and
3. Relevant financial statements and information that includes a breakdown of projected capital structure components for a period of at least five years.

13. In all instances, and pursuant to the Commission's May 27, 1999 Order Approving Financing in this docket, the Company shall continue filing its quarterly surveillance data reports with the Commission's Financial Analysis Department as part of an internal "checks and balances" to ensure that the Company meets its filing obligations with regard to the 40 percent equity ratio requirement.

14. This Stipulation and Agreement has resulted from extensive negotiations between the Parties and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation and Agreement in total, the Stipulation and Agreement shall be void, and no signatory shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the signatories to take other positions in other proceedings.

15. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights, pursuant to §536.080 RSMo. 1994, to present testimony, to cross-examine witnesses, and to present oral argument or written briefs; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo. 1994; their respective rights to seek rehearing pursuant to §386.500 RSMo. 1994; and their respective rights to seek judicial review pursuant to §386.510 RSMo. 1994. The Parties agree to cooperate with each other in presenting for approval to the Commission this Stipulation and Agreement, and will take no action, direct or indirect, in opposition to the request for approval of this Stipulation and Agreement.

16. The Staff may submit a Staff Recommendation concerning matters not addressed in this Stipulation and Agreement. In addition, if requested by the Commission, the Staff shall have

the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum, which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in by the other signatories to the Stipulation and agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide any other parties with advance notice as to when the Staff shall respond to the Commission's request for such explanation, once such explanation is requested from Staff. The Staff's oral explanation shall be subject to public disclosure.

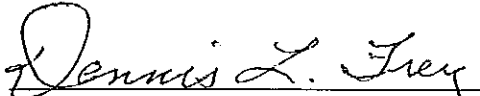
17. Neither of the parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any rate-making principle or any method of cost determination or cost allocation underlying or allegedly underlying this Stipulation and Agreement .

18. Although not a signatory, Public Counsel has been contacted and has no objection to this Stipulation and Agreement.

WHEREFORE, the Parties respectfully request that the Commission issue its Order approving all of the terms of this Stipulation and Agreement.

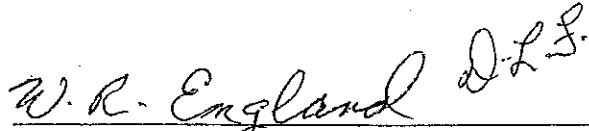
Respectfully submitted,

DANA K. JOYCE
General Counsel



Dennis L. Frey, Mo. Bar No. 44697
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8700

Attorney for the Staff of the
Missouri Public Service Commission

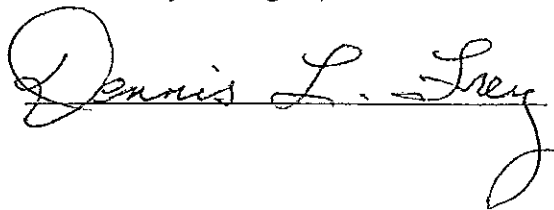


W. R. England, III, Mo. Bar No. 23975
Sondra B. Morgan, Mo. Bar No. 35482
Brydon, Swearengen & England, P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102
(573) 635-7166

Attorneys for Steelville Telephone
Exchange, Inc.

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the service list below on this 26th day of August, 1999.



Service List for
Case No: TF-99-318
Revised: August 26, 1999

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

W. R. England, III
Sondra B. Morgan
Brydon, Swearengen & England P.C.
P.O. Box 456
Jefferson City, MO 65102

RECEIVED

SEP 02 1999

COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION