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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, 1994.

In the matter of the application of Northeast Missouri)
Rural Telephone Company of Green City, Missouri, for)
authority to borrow money from the United States of)
America, acting through the Rural Electrification) Case No. TF-88-135
Administration, and in connection therewith to execute)
a mortgage note, telephone loan and contract amendment.)
)

ORDER APPROVING SUPPLEMENTAL FINANCING APPLICATION

On November 17, 1994, Northeast Missouri Rural Telephone Company (Northeast) filed a supplemental application requesting the Commission authorize it to borrow \$1,380,000 through the Rural Electrification Administration (REA) which had not been borrowed under the authorization approved by the Commission December 30, 1987. Northeast states that the proceeds would be used for essentially the same purposes as originally authorized, which are: (1) to reimburse its treasury for moneys previously spent on system improvements, (2) to replace certain plant, (3) to install certain new plant, and (4) to operate its system. To receive the remaining proceeds, Northeast indicates that it must execute a Basis Date Agreement with REA at an interest rate of five percent per annum and a repayment period of thirty-five years.

On December 16, 1994, Commission Staff filed a memorandum recommending the Commission grant the authority requested. Based upon Staff's analysis, after receiving the additional loan proceeds the capital structure of Northeast would be 47.87 percent debt and 52.13 percent equity. Staff indicates these ratios are reasonable and will maintain Northeast's current pretax interest coverage ratio of 9.10x.

Staff indicates that the proposed improvements to Northeast's system meet and in some instances exceed the requirements of Commission rule 4 CSR 240-37.100 with respect to network modernization. Staff recommends that the Commission ensure the loan proceeds are used for Northeast's customers and that Northeast file copies of its completed work orders in this case.

The Commission has reviewed the supplemental application and Staff's recommendations and finds that the authorization requested should be granted. From the record it appears that moneys included in the additional loan proceeds requested in this supplemental application were authorized by the Commission in December 1987, but that they were never borrowed. The terms of the supplemental borrowing appear to be reasonable and, based upon Staff's analysis, there appear to be no adverse effects from the borrowing on Northeast's capital structure or interest coverage. The Commission finds, further, that the money, property or labor procured by the proceeds from this loan are reasonably required for the purposes specified in this order and that such purposes are in no part reasonably chargeable to operating expenses or to income except as may be permitted in this order. In addition, the Commission finds Staff's recommendations are reasonable and will adopt them.

IT IS THEREFORE ORDERED:

1. That Northeast Missouri Rural Telephone Company be hereby authorized to execute a Basis Date Agreement with the United States of America, acting through the Rural Electrification Administration, substantially in the form of the Basis Date Agreement attached as Exhibit No. 1 to the application.

2. That Northeast Missouri Rural Telephone Company be hereby authorized to take those actions reasonably necessary to execute and effectuate the financing approved in Ordered Paragraph No. 1.

3. That the proceeds from the loan approved in Ordered Paragraph No. 1 shall be used solely for the benefit of the customers of Northeast Missouri Rural Telephone Company.

4. That Northeast Missouri Rural Telephone Company shall file copies of completed work orders to account for the use of the loan proceeds approved in Ordered Paragraph No. 1.

5. That Northeast Missouri Rural Telephone Company shall file copies of the journal entries for the issuance and disbursement of loan proceeds approved in Ordered Paragraph No. 1.

6. That nothing in this order shall be considered a finding by the Commission of the reasonableness of the expenditures herein involved, or of the value for ratemaking purposes of the properties herein involved, or as an acquiescence in the value placed upon said properties by Northeast Missouri Rural Telephone Company; and the Commission reserves the right to consider the rate-making treatment to be afforded these financing transactions, and their resulting cost of capital, in any later proceeding.

7. That this order shall become effective on the 31st day of December, 1994.

BY THE COMMISSION



**David L. Rauch
Executive Secretary**

(S E A L)

McClure, Perkins, Kincheloe
and Crumpton, CC., concur.
Mueller, Chm., absent.