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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 6th
day of July, 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) 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 GRANTING APPLICATION FOR
RECONSIDERATION

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. The Commission did so with some reluctance and with specific reliance upon STE's representations to the Staff of the Missouri Public Service Commission that it would not draw upon more than \$1,000,000 of the proposed line of credit annually. Staff recommended that the Commission place a condition upon the financing approval to enforce STE's representations. 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. STE denounces the language excerpted above as "unlawful, unjust, unreasonable, arbitrary and capricious." In particular, STE objects to the Commission's imposition of this condition without first conducting an evidentiary hearing and developing a record supporting the condition.

Staff filed its response to STE's application on June 25, 1999. In its response, Staff supports STE's application for reconsideration and suggests that the order of May 27, 1999, be modified. Specifically, Staff recommends that the requirement of Commission approval before STE's equity ratio falls below 40.0 percent be rescinded and replaced by a requirement that STE obtain such authority if its equity ratio is expected to remain below 40.0 percent for a period of more than three months. The Commission finds Staff's suggestion acceptable and urges the parties to submit a Stipulation and Agreement embodying that solution if indeed it is also acceptable to STE. In that event, no hearing will be necessary and this matter can be quickly resolved.

The Commission will grant STE's request for reconsideration and set this matter for hearing in order to develop an appropriate evidentiary record herein. To that end, a prehearing conference and procedural schedule are appropriate to ensure its prompt resolution. At the prehearing conference, the parties or their representatives should be prepared to discuss the nature of any discovery each will conduct and the interval necessary for its completion; the number of witnesses each expects to call at hearing; the number and nature of any exhibits each expects to offer at hearing; and the anticipated length of the hearing. The parties or their representatives should also be prepared to discuss the current status of settlement negotiations. It is expected that the prehearing conference will provide an opportunity for the parties to further pursue settlement discussions.

The parties shall jointly file a proposed procedural schedule. The proposed procedural schedule shall establish dates for the close of discovery, the filing of testimony, and the filing of a statement of the parties' positions on the issues. The parties shall also file a statement of issues together with the procedural schedule. The statement of issues shall succinctly set out the issues which the Commission must determine. The parties shall also inform the Commission, prior to the hearing, as to the witnesses to be called on each day of hearing and the order thereof. The proposed procedural schedule shall also establish dates for the hearing of this matter.

IT IS THEREFORE ORDERED:

1. That the application of Steelville Telephone Exchange, Inc., for reconsideration is granted.

2. That a prehearing conference shall be held on July 19, 1999, beginning at 10:00 a.m. The prehearing conference shall be held at the Commission's offices on the fifth floor of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. Anyone wishing to attend who has special needs as addressed by the Americans with Disabilities Act should contact the Missouri Public Service Commission at least ten (10) days before the prehearing conference at: Consumer Services Hotline - 1-800-392-4211 or TDD Hotline - 1-800-829-7541.

3. That the parties shall jointly prepare and file a proposed procedural schedule no later than July 26, 1999.

4. That this order shall become effective on July 16, 1999.

BY THE COMMISSION

A handwritten signature in black ink that reads "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

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

Thompson, Deputy Chief Regulatory Law Judge

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COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION