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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 15th
day of December, 1998.

In the Matter of the Joint Application of GTE)
Midwest Incorporated and Ozark Telephone Company)
for Authority to Transfer and Acquire Part of) Case No. TM-95-134 ✓
GTE Midwest Incorporated's Missouri Franchise,)
Facilities or System Located in the State of)
Missouri.)

In the Matter of the Local Exchange)
Telecommunications Companies' Modernization) Case No. TO-93-309
Plans Pursuant to 4 CSR 240-32.100.)

ORDER GRANTING SECOND EXTENSION OF TIME TO COMPLETE
MODERNIZATION PLAN AND SETTING HEARING DATE

The Missouri Public Service Commission (Commission) issued an order in Case No. TM-95-134 on July 11, 1995, authorizing the transfer of certain GTE Midwest Incorporated (GTE) properties to Ozark Telephone Company (Ozark). This order also authorized Ozark to begin providing telecommunications services in the transferred exchanges. Ozark had previously agreed to modernize its exchanges to meet the requirements of 4 CSR 240-32.100. Ozark filed a detailed Modernization Plan with the Commission on June 28, 1996. Ozark's plan called for all necessary upgrades to be completed by December 31, 1997.

Ozark filed a Motion for Extension of Time to Complete Modernization Plan on July 21, 1997. Ozark stated the extension was

necessary as it was experiencing problems with the financing arrangements for its Modernization Plan, requiring a change from the original lender to the Rural Utility Services (RUS). Ozark indicated that this loan was necessary to finance its modernization efforts. The Commission granted an extension of time for completion of the Modernization Plan on September 25, extending the deadline for completion until December 31, 1998.

On September 8, 1998, Ozark filed a Second Motion For Extension of Time to Complete Modernization Plan (the Second Motion). In the Second Motion, Ozark stated that delays in obtaining the required financing have kept it from being able to complete the necessary upgrades required to complete its Modernization Plan. Ozark therefore requested that the deadline for completion of its Modernization Plan be extended from December 31, 1998 to December 31, 1999.

On October 23, Staff filed a response to Ozark's request for extension of time to complete the required modernization plan. Staff requested that the Commission deny Ozark's request for additional time. As part of its basis for recommending that the request for additional time be denied, Staff asserted that Ozark has failed to achieve a capital structure containing at least 40 percent equity to total capital within the first two years of operation. The achievement of such a capital structure is required by the stipulation and agreement entered into by Staff and Ozark in Case Number TM-95-134.

On November 12, Ozark filed a reply to Staff's response. In its reply Ozark listed several reasons why it had not been able to comply

with the planned modernization schedule. Ozark indicated that it did not take possession of the facilities from GTE until a year after the date of the stipulation and at that time discovered that the facilities were in substantially worse condition than had been believed. Furthermore, Ozark stated that it experienced difficulty in obtaining the financing required to complete the modernization. In its reply, Ozark also requests that the Commission waive the stipulation's requirement that it achieve a capital structure of at least 40 percent equity to total capital within the first two years of operation.

The Commission has reviewed Ozark's request and finds that Ozark has demonstrated good cause for a second extension of time in which to complete its Modernization Plan. Ozark requests an extension to December 31, 1999 but represents that it expects to be able to complete the modernization by the end of June. The Commission will hold Ozark to that representation by extending the time to complete its Modernization Plan only until June 30, 1999.

The Commission is concerned about the failure of Ozark to achieve at least 40 percent equity to capital within two years as required by the stipulation. Therefore, the Commission will schedule a hearing for January 22, 1999, at which Ozark will be expected to answer the Commission's questions regarding the requirement of a 40 percent equity to capital ratio.

IT IS THEREFORE ORDERED:

1. That Ozark Telephone Company shall be given an extension of time from December 31, 1998 to June 30, 1999 for the completion of its Modernization Plan.

2. That a hearing is scheduled for January 22, 1999 at 9:00 a.m. regarding the requirement of 40 percent equity to capital ratio. The hearing shall be held in the Commission's hearing room 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 hearing at: Consumer Services Hotline - 1-800-392-4211 or TDD Hotline - 1-800-829-7541.

3. That Ozark Telephone shall file monthly progress reports with the Staff of the Public Service Commission in which it details its progress toward completion of the modernization project.

4. That this order shall become effective on December 29, 1998.

BY THE COMMISSION

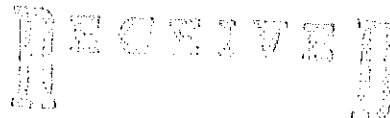
(S E A L)



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

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

Woodruff, Regulatory Law Judge



DEC 29 1998

COMMISSION OF THE
PUBLIC SERVICE REGULATION