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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 25th  
day of September, 1997.

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

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

ORDER GRANTING EXTENSION OF TIME TO COMPLETE MODERNIZATION PLAN

Ozark Telephone Company (Ozark) filed a motion for extension of time to complete its network modernization plan on July 21, 1997. In support of its motion, Ozark explains that the Missouri Public Service Commission (Commission) issued an order in Case No. TM-95-134, which authorized the transfer of certain GTE Midwest Incorporated (GTE) properties to Ozark, and authorized Ozark to begin providing telecommunications service in the transferred exchanges. As part of that case, the parties executed and the Commission approved a stipulation and agreement in which Ozark agreed to modernize its exchanges to meet the requirements of 4 CSR 240-32.100. Ozark further explains that the transfer of the properties was not effective until April 1, 1996, as a result of a delay in receiving Federal Communications Commission (FCC) approval. However, Ozark filed its modernization plan with the Commission on June 28, 1996, which provided that all necessary upgrades to its system would be completed by December 31, 1997.

Ozark indicates that the need for an extension of time is the result of a problem with its financing arrangements. Ozark explains that it believed it had a commitment for financing its modernization plan from the same lender which financed the purchase of the properties, but the original lender did not honor this commitment. As an alternative to this financing arrangement, Ozark has now applied for a \$5.7 million dollar loan from the Rural Utility Services (RUS), and is awaiting documentation from RUS so that it can apply to the Commission for approval of the financing as required by the stipulation. While Ozark began negotiations with RUS approximately two months ago, Ozark believes that the approval process will not be completed in time for the company to obtain the funds and complete its modernization according to the previous timetable. Without the loan, Ozark contends that it will not be able to complete the upgrade of its private line services and install fiber to the schools within its exchanges. However, Ozark is attempting to obtain interim financing so that it will be able to continue with the upgrades and install four remotes between Noel and Southwest City. Although Ozark hopes to complete the RUS financing and upgrades at an earlier point in time, it is nevertheless requesting that the Commission grant it until December 31, 1998 to complete its modernization.

On July 31 the Staff of the Commission (Staff) filed a response to Ozark's motion. Staff supports Ozark's motion for an extension of time to complete its modernization from December 31, 1997 to December 31, 1998. Staff explains that Ozark was originally to obtain financing for its modernization through the Rural Telephone Finance Corporation (RTFC), but the RTFC would not approve the loan application. Ozark must await documentation from RUS before it can apply to the Commission for approval of the financing as required by the stipulation, and for this reason, Ozark

cannot finance its facility upgrades at the present time. Staff also notes that since 1995, five complaints have been received from Missouri customers about the lack of modernization in the exchanges of Southwest City and Noel. Staff indicates that presently there are about 1,700 Missouri customers in those exchanges, and 200 of those customers are multi-party and need to be upgraded to one-party service. In addition, Staff also indicates that Ozark has kept the Staff informed of its progress in completing the modernization projects through reports, letters, and telephone calls. Staff requests that in conjunction with granting the extension of time, the Commission order Ozark to continue keeping Staff informed of the progress of the modernization plan on a regular basis.

On August 29, the Commission issued an Order Directing Submission of Additional Information. In its order the Commission indicated that it did not have sufficient information on which to base a decision. The Commission listed six questions and ordered Ozark to file a response by September 8. The questions in essence sought further information on the need for the \$5.7 million dollar loan amount and how the loan proceeds would be used; whether the remaining 200 multiparty customers could be upgraded without the \$5.7 million dollar loan; whether the remaining 200 multiparty customers would be covered by concentrators; the identity of the "different Commissions" Ozark referenced in its quarterly update report; the reasons why Ozark expected to receive a loan from RUS when it had been rejected by RTFC; and the assumptions made by Ozark regarding the funding of modernization costs, other than the receipt of \$5.7 million dollars in loan funds.

Ozark filed its response to the Commission's order on September 12.<sup>1</sup> Ozark states that while the loan request includes miscellaneous line extensions and service entrances for a projected five-year growth, the majority of the \$5.7 million dollar loan amount is necessary to upgrade the Noel and Southwest City exchanges. The funds will be used to place new buried filled copper and fiber optic cable facilities, exchange remote electronics to eliminate long loaded physical loops, and pay for associated engineering and surveys. The remaining 200 multiparty customers cannot be upgraded without the loan proceeds, and the concentrators only cover a portion of those 200 customers. Ozark indicates that the "different Commissions" referred to in its quarterly update report include this Commission, the Arkansas Public Service Commission, the Oklahoma Corporation Commission, and the Federal Communications Commission.

In addition, Ozark also explains that RUS and RTFC have different requirements and utilize different standards when evaluating an applicant's eligibility for a loan. While RUS allows a loan to be repaid over a 20 or 25 year period and has no loan equity requirement, RTFC requires a loan to be repaid within 15 years and requires a minimum 20 percent loan equity infusion to secure its construction loans. Finally, Ozark states that it expects to receive approximate \$95,577 in Universal Service Fund (USF) support beginning in January of 1998.

The Commission has reviewed the various pleadings, including Ozark's response to the Commission's request for additional information, and finds that Ozark has demonstrated good cause for an extension of time in which to complete its modernization plan. While the Commission will grant the extension of time to December 31, 1998, as requested, the

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<sup>1</sup> Ozark requested and received an extension of the deadline for its response from September 8 to September 12.

Commission directs Ozark to make all reasonable efforts to complete the upgrades earlier if possible.

Although the Commission has found good cause for the extension, it is concerned about Ozark's problem with its financing arrangements. The Commission will therefore require that Ozark file with the Commission monthly updates on its progress in negotiations with RUS. Upon receipt of the necessary RUS documentation, Ozark should forthwith file an application for approval of financing with the Commission, to minimize the delay in obtaining the financing required to complete the modernization plan. The Commission will also direct Ozark to continue filing the quarterly updates required by the stipulation in Case No. TM-95-134. In addition, Ozark should continue to keep Staff apprised of progress on its modernization plan on a regular basis, as it has in the past.

Finally, with respect to Ozark's assumption that it will receive USF funds, the Commission notes that at this point it has made no findings regarding Ozark's eligibility for USF support.

**IT IS THEREFORE ORDERED:**

1. That Ozark Telephone Company is granted an extension of time to complete its network modernization plan from December 31, 1997 to December 31, 1998.

2. That Ozark Telephone Company is directed to file with the Commission monthly updates on its progress in securing the financing necessary to complete its network modernization plan.

3. That Ozark Telephone Company is directed to file with the Commission an application for approval of its financing plan within five days of securing the information necessary for the application.

4. That Ozark Telephone Company is directed to continue filing quarterly updates of its progress with the Commission as required

by the stipulation and agreement in Case No. TM-95-134, and to continue keeping the Staff of the Commission informed of its progress on a regular basis.

5. That this order shall become effective on October 7, 1997.

BY THE COMMISSION



Cecil I. Wright  
Executive Secretary

(S E A L)

Lumpe, Chm., Crumpton,  
Murray, and Drainer,  
CC., Concur.

ALJ: Bensavage