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a rate of two percent. Stoutland states that it has obtained advances from the RUS totaling approximately \$686,645 for the purpose of upgrading service, extending service to additional subscribers, and improving and adding to the existing telephone plant. Stoutland seeks authority in this case to borrow the remaining \$258,355 available under the E8 loan for the purpose of reimbursing its treasury for moneys previously spent on system improvements, to replace certain plant, and to install certain new plant. The additional moneys would be provided pursuant to a Basis Date Agreement which was attached to Stoutland's application. The Basis Date Agreement would, once executed, permit Stoutland to pay the remaining \$258,355 over a period of 26 years from the date of the Basis Date Agreement.

Stoutland provided the documentation required by 4 CSR 240-2.060(8): a pro forma balance sheet and a pro forma income statement, a capitalization expenditure schedule for each year beginning January 1, 1991, and ending December 31, 1996, and a certified copy of the Resolution of the Board of Directors authorizing the loan. Stoutland included a copy of the Basis Date Agreement that has already been executed by Stoutland and has not yet been executed by the RUS. Stoutland incorporated by reference the documents filed with the Commission in Case No. TF-80-285, which included the original Promissory Note and Mortgage Note. The Mortgage Note applicable to the original loan will also apply to the Basis Date Agreement into which Stoutland and the RUS propose to enter. Stoutland also incorporated by reference its statement in Case No. TF-80-285 that all of the proceeds of the loan were subject to the Commission's fee schedules.

The Staff of the Missouri Public Service Commission (Staff) reviewed Stoutland's application and exhibits and filed a memorandum recommending approval of Stoutland's proposed financing arrangement on

December 22, 1997. Staff attached a chart to its memorandum demonstrating that Stoutland's current capital structure consists of 20.58 percent long-term debt and 79.42 percent common equity. According to Staff, Stoutland's pro forma financial statement indicates the effect of borrowing the remaining \$258,355 on the E8 loan would be to increase its percentage of long-term debt to 23.11 percent. The new debt would decrease the percentage of owners' equity to 76.89 percent. According to Staff, at this level of debt Stoutland would still have a total debt ratio well under the financial median of 42 percent for a "AA" rated telecommunications company as determined by Standard and Poor's Corporation. Staff stated further that Stoutland's pro forma pretax interest coverage ratio of 36.40 times far exceeds the Staff's recommended minimum of 2.0 times. Staff recommended that Stoutland be required to file journal entries to allow for the Commission's fee schedule to be applied.

The Commission has reviewed the Stoutland application and accompanying documents, the Staff recommendation, and the case papers in Case No. TF-80-285, and finds that the proposed borrowing of the remainder of Stoutland's \$945,000 E8 loan from the RUS by Stoutland to be in the public interest. The Commission finds that the funds are reasonably required for the purposes requested and are not reasonably chargeable to operating expenses or to income. The Commission will approve the application and order Stoutland to file all relevant documents relating to the transaction in this docket, and require Stoutland to file journal entries to allow for the Commission's fee schedule to be applied, as set out in Section 386.300, RSMo 1994.

**IT IS THEREFORE ORDERED:**

1. That Stoutland Telephone Company is authorized to borrow the remainder of the \$945,000 loan from the Rural Utilities Service for Project Designation "Missouri 591-E8 Stoutland," as set forth in the Basis Date Agreement attached as Exhibit No. 1 to Stoutland Telephone Company's application.

2. That Stoutland Telephone Company is authorized to execute and deliver the Basis Date Agreement evidencing the loan referred to in Ordered Paragraph 1.

3. That Stoutland Telephone Company is authorized to enter into, execute, deliver and perform all other documents and to take such other actions as may be necessary to effectuate the financing authorized by this order.

4. That the proceeds of the loan authorized by this order shall be used for the purposes specified in Stoutland Telephone Company's application and in this order and for no other purposes.

5. That Stoutland Telephone Company shall file with the Commission copies of all documents relating to the financial transactions approved in this order within 30 days of the closing date.

6. That Stoutland Telephone Company shall file journal entries to allow for the Commission's fee schedule to be applied to the proceeds of the loan, as provided in Section 386.300, RSMo Supp. 1995.

7. That nothing in this order shall be considered a finding by the Commission of the reasonableness of the expenditures involved in these financing transactions, or of the value, for ratemaking purposes, of the properties involved, or as an acquiescence in the value placed upon those properties by the Company. The Commission reserves the right to consider

the ratemaking treatment to be afforded these financing transactions, and their resulting cost of capital, in any later proceeding.

8. That this order shall become effective on February 20, 1998.

**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., Crumpton, Drainer  
and Murray, CC., concur.

Randles, Regulatory Law Judge