

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Alma Communications)
Company, doing business as Alma)
Telephone Company, for Authority and)
Approval to Issue a Note, Loan)
Agreement, Mortgage, Security)
Agreement, and Financing Statement to)
Borrow Funds from the Rural Utility)
Services of the United States of America,)
for Interim Financing, and for Section)
392.280.2, RSMo (HB 360) Accounting)
Authority Orders.)

Case No. TU-2005-0358

STAFF RESPONSE TO COMMISSION QUESTIONS

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and respectfully states as follows:

1. On April 8, 2005, Alma Communications Company d/b/a Alma Telephone Company (Alma) filed an Application with the Missouri Public Service Commission (Commission) seeking authority to borrow funds and to pledge its system assets as security for the loan.
2. On May 18, 2005, Staff filed its Staff Recommendation in this case.
3. This matter was on the Commission's Agenda on June 6, 2005 and was discussed. Staff, as a result of that discussion, met and prepared some questions that were discussed by the Commission. Staff shared those questions with Alma.
4. Staff has reviewed the questions, consulted with Alma, considered Alma's answers and offers the following responses. Staff wrote the original questions based on Staff's

understanding of the discussion and some were combined by Alma in its answers. Staff emphasizes that these answers are not comprehensive and that Staff will be present at Agenda to offer any additional input desired by the Commission.

5. Staff's answers to the questions are as follows:

A. How is the company going to repay this loan if the loan amounts to approximately \$16,000 per customer? Will Alma get more USF to help pay for this?

Alma intends to repay the loan solely through increased Federal Universal Service Fund (USF) support payments. The Company does not anticipate increasing rates for any existing services. Staff notes that the actual loan term is 26 years. During the first two years of the loan term, Alma pays interest only and makes no principal payments.

B. What is the impact of the inter carrier compensation docket? How will Alma repay the loan if/when access fees go away or are reduced?

Staff believes that the intercarrier compensation docket could have an impact on Alma's revenue stream regardless of whether this loan is approved. Staff does not agree that intrastate sources would necessarily replace any reduction in revenues.

C. What is the impact of granting the LNP delays versus Alma needing the money? For example, if granted will we expect to see other LECs with LNP waivers come in and ask for similar loans or money?

Alma is one of thirty-seven (37) companies that requested local number portability (LNP) waivers. Of the 37 companies, eight (8) required switch replacement due to the lack of vendor support. Four companies have either replaced or are in the process of replacing their switch. The switch replacement is necessary to address the lack of vendor support; however, it will allow the Company to have the capability to meet certain state and federal regulatory requirements such as the Communication Assistance For Law Enforcement Act (CALEA) and LNP.

D. How much of the loan is for video services? Mo PSC doesn't regulated video? Does this have an impact?

None of the loan is specifically for video services. The loan is to provide a new switch, to provide a new building to house the switch and to replace outside plant that is over thirty years old.

E. Will Alma qualify for price cap regulation under SB237?

Alma claims that will qualify for price cap regulation under SB237. If SB237 is signed into law, then Alma would have the option of choosing price cap regulation.

WHEREFORE, Staff respectfully submits its Response to Commission questions.

Respectfully submitted,

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General Counsel

/s/ Robert V. Franson

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 8th day of June 2005.

/s/ Robert V. Franson