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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 18th  
day of January, 1995.

In the matter of the local exchange       )  
telecommunications companies'               )  
modernization plans pursuant to           )  
4 CSR 240-32.100.                           )

CASE NO. TO-93-309

In the matter of Chariton Valley           )  
Telephone Corporation's Application       )  
for Financing Authority                    )

CASE NO. TF-95-137 ✓

ORDER APPROVING STIPULATION AND AGREEMENT

Chariton Valley Telephone Corporation (Chariton or Company), a Missouri corporation, is a local exchange telecommunications company and a public utility subject to the jurisdiction of the Missouri Public Service Commission (Commission). Section 386.250(2) RSMo (1994). Chariton provides local exchange services to eighteen exchanges in north central Missouri.

On May 14, 1993, the Commission established Case No. TO-93-309 to receive the three, five, and seven-year modernization plans required to be filed by local exchange telecommunications companies (LECs) operating in Missouri pursuant to 4 CSR 240-32.100. By June 18, 1993, each LEC had submitted a filing to the docket. On August 24, 1993, the Staff of the Commission (Staff) filed a memorandum concerning the modernization filings. Within its memorandum Staff indicated that Chariton has extensive modernization plans that cannot be completed without significant capital expenditures. Chariton filed a letter on June 1, 1993, requesting waiver of parts of 4 CSR 240-32.100 which require the filing of three, five and seven-year implementation plans.

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On October 24, 1994, the Company filed an application requesting the Commission to approve a financing arrangement between Company and CoBank for the purposes of modernization. Chariton made its request pursuant to Sections 392.290 and 392.310 RSMo 1994 and Commission rules. The Company requested authority to borrow seven million dollars.

In support of its financing application the Company provided the documentation required by 4 CSR 240-2.060(6): a pro forma balance sheet, income statements, a certified copy of the resolution of the Board of Directors authorizing the indebtedness, and a five-year capitalization expenditure schedule. Since the instruments defining the terms of the loan have not been executed, the Company included a description of their general terms and conditions. This loan transaction is subject to the fee schedule set out in Section 386.300.1(15) RSMo (1994) and 4 CSR 240-2.030(3).

On December 6, 1994, Chariton filed its Supplemental or Amended Application for Financing Authority. The supplemental application increased the requested loan amount to seven million, four hundred thousand dollars and included the possibility of obtaining the loan through the Rural Telephone Finance Cooperative (RTFC) rather than CoBank, depending on evaluation of the interest rates available from the two institutions.

Chariton wishes to borrow the funds in order to comply with the "modernization rule", 4 CSR 240-32.100 which will require Chariton to upgrade its services and service facilities. The company intends to build a three hundred mile fiber optic interoffice network to replace the network currently in place, and to install a new single host switch at the Huntsville exchange, with concentrator devices replacing Alcatel class 5 switches at remote exchange office locations in the other seventeen exchanges. Chariton also intends to provide wireless local loop plant upgrades to customers previously served by old subscriber carrier.

On January 10, 1995, Chariton, Staff, and the Office of the Public Counsel (OPC) filed a Stipulation and Agreement (Stipulation) which is attached to this order as Attachment A and incorporated herein by reference. In the Stipulation the Staff states that it regards the loan terms described in the Company's financing application to be reasonable. The company proposes to borrow \$7.4 million from either the National Bank for Cooperatives, or the Rural Telephone Finance Corporation at a variable rate. The company proposes to select the optimal loan by means of a cost/benefit analysis. The company agrees to file the final loan documents, and a copy of its cost/benefit analysis in Case No. TF-95-137 within 30 days after executing the loan. The company agrees to use the loan proceeds for the purpose of modernization.

The Stipulation states that Chariton plans to retire its digital switches, in which the company had an unrecovered plant balance of \$3,417,603.27, as of December 31, 1993. The parties agree that the company should amortize the net book balance of the digital central office account at a rate of \$569,600.55 per year over six years, beginning January 1, 1994, in lieu of accruing depreciation at the 4% approved rate.

The Stipulation of the parties states that Chariton provides, and shall continue to provide, the minimum necessary elements for basic local interexchange telecommunications service as prescribed in the modernization rule, with the exception of providing equal access and enhanced 911 (E-911) capability for subscribers who lack wire-line service. The Stipulation also states that Chariton will send a letter to interexchange carriers informing them of the date Chariton intends to provide equal access, and that Chariton will provide equal access no later than June 30, 1997. The letter is to be sent no later than six months prior to the date the company intends to provide equal access. The

Stipulation further specifies that Chariton will comply with the requirements of the Federal Communications Commission Report and Order released March 19, 1985 in CC Docket No. 78-72, Phase III. In addition the parties agree that, if Chariton fulfills the terms of the Stipulation, Chariton will be providing basic service to its wire-line customers by June 30, 1997, and to all its customers by December 31, 1997.

According to the Stipulation, Chariton proposes to retire 18 digital switches, and to acquire and install plant and equipment in its 18 exchanges to provide equal access and E-911 capability. Chariton proposes to install a host digital switch in its Huntsville exchange, then install remote switches, "dumb" concentrator devices, and digital carrier in its other 17 exchanges, and connect them with a fiber optic ring. The company also agrees to serve each customer with electronic switching with E-911 access capability by June 30, 1997.

Regarding Chariton's provision of service to some customers by wireless (cellular) equipment, the Stipulation provides that:

a: Chariton may provide service without using wire-line equipment to a maximum of 35 subscribers at a time on an experimental basis. Chariton may expand the scope of the experiment if it obtains the approval of the parties;

b: Chariton agrees to inform such subscribers that they receive service by wireless equipment as part of an experiment, that they should promptly report any complaints to Chariton, and that they may also report complaints to the Commission;

c: Chariton agrees to report each complaint from its wireless customers to Staff. Chariton also agrees that it will replace any subscriber's wireless equipment with wire-line equipment as soon as practicable but, in no event beyond 90 days of receiving a request,

provided the subscriber makes any contribution in aid of construction prescribed by the company's tariff;

d: If the parties cannot agree by June 30, 1997, that wireless equipment provides adequate service, then Chariton agrees to replace all subscribers' wireless equipment with wire-line equipment no later than December 31, 1997.

Chariton also agrees not to acquire or use more lines of analog subscriber carrier than it had in use on January 1, 1994. Chariton agrees to file the following reports on the status of its modernization implementation until the company provides basic service to all of its subscribers:

i: Within 30 days of this Order, and by December 1 of each year, Chariton will file its modernization plans for the next calendar year;

ii: Within 30 days of the end of each calendar quarter, Chariton will explain the extent to which it has conformed to its modernization plans; and

iii: Within 30 days of the end of each calendar quarter, Chariton will report all the complaints it has received from wireless subscribers.

The Commission has reviewed Chariton Valley Telephone Corporation's filings and the Stipulation and Agreement filed by the parties. The Commission finds that Chariton currently provides most elements of basic service, except equal access and E-911 capability, and that the company intends to provide such service to its wire-line customers no later than June 30, 1997, and to all its customers by December 31, 1997. The Commission finds that the provision for Chariton to continue to provide the minimum necessary elements for basic service, the agreements concerning

the company's wireless service, and the reports to be filed by Chariton are beneficial for purposes of protecting the public interest in the future. The Commission also finds that the fact that Chariton will be filing yearly modernization plans is good cause for Chariton to be granted a waiver from the requirement to file three, five, and seven-year modernization plans. Furthermore, the Commission finds that Chariton will be providing basic service no later than December 31, 1997, as required by 4 CSR 240-32.100.

The Commission finds that the requested financing transaction should be authorized. The Commission is of the opinion that the funds to be procured by the loan transaction described in the application is reasonably required for the purposes of modernization and that such purposes are not reasonably chargeable to operating expenses or to income. This transaction is subject to the fee schedule set out in § 386.300 RSMo (1994). The Commission will require Company to file final terms and conditions associated with the authorized transaction, in accordance with the terms of the Stipulation, in the Commission's Official Case File.

For the foregoing reasons, the Commission finds that the Stipulation and Agreement filed by the parties on January 10, 1995, is a reasonable resolution of the issues and should be approved.

**IT IS THEREFORE ORDERED:**

1. That the Stipulation and Agreement filed by the parties on January 10, 1995, (attached to this Order as Attachment A and incorporated herein by reference) be approved and adopted for resolution of all issues.

2. That Chariton Valley Telephone Corporation is hereby granted a waiver of the requirement to file three, five, and seven-year modernization plans pursuant to 4 CSR 240-32.100, provided the company

complies with the provision of the Stipulation and Agreement approved herein.

3. That Chariton Valley Telephone Corporation is authorized to borrow up to \$ 7,400,000.00 from CoBank or from Rural Telephone Finance Cooperative.

4. That Chariton Valley Telephone Corporation is authorized to enter into, execute, and deliver a loan agreement with CoBank or with Rural Telephone Finance Cooperative, including a term note and any other instruments required by the Authority to carry out the financing authorized by this order.

5. That the proceeds of the loan authorized by this order shall be used for the purposes specified in this order and for no other purposes.

6. That Chariton Valley Telephone Corporation be authorized to do all things necessary to complete the transactions specifically authorized in this order, including executing agreements and documents, except those things contrary to law or to the rules and regulations of the Commission.

7. That Chariton Valley Telephone Corporation is directed to submit a statement of the final terms and conditions of the term note, and a copy of its cost/benefit analysis, to the Public Service Commission within 30 days of the effective date of this order.

8. That Chariton Valley Telephone Corporation be permitted to amortize the unrecovered net book balance of its digital switches at a rate of \$569,660.55 per year over a six year period, beginning January 1, 1994, to a total of \$3,417,603.27, and that such amortization be in lieu of the accrual of depreciation on those assets.

9. That Chariton Valley Telephone Corporation shall submit a copy of the letter to interexchange carriers required by the Stipulation and Agreement (approved in Ordered Paragraph 1) to the Telecommunications Department of the Commission.

10. That this Order shall become effective on January 23, 1995.

BY THE COMMISSION

A handwritten signature in cursive script, reading "David L. Rauch".

David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Perkins,  
Kincheloe and Crumpton, CC., Concur.



FILED

JAN 10 1995

MISSOURI  
PUBLIC SERVICE COMMISSIONBEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

|   |   |                    |
|---|---|--------------------|
| In the matter of Chariton Valley            | ) |                    |
| Telephone Corporation's Modernization Plans | ) | Case No. TO-93-309 |
| Pursuant to 4 CSR 240-32.100                | ) |                    |

|                                     |   |                    |
|-------------------------------------|---|--------------------|
| In the matter of Chariton Valley    | ) |                    |
| Telephone Corporation's             | ) | Case No. TF-95-137 |
| Application for Financing Authority | ) |                    |

STIPULATION AND AGREEMENT

Based on information provided by Chariton Valley Telephone Corporation ("the Company"), the signatories--the Office of the Public Counsel ("OPC"), the Staff of the Missouri Public Service Commission ("the Staff") and the Company--agree and stipulate as follows:

1. The Company provides the minimum necessary elements for basic local and interexchange telecommunications service ("Basic Service") as prescribed in 4 CSR 240-32.100 ("the Modernization Rule") with the exception of providing--

- a. InterLATA equal access, and
- b. Enhanced 911 (E-911) capability for subscribers who lack wire-line service.

The Company agrees to continue to provide at least this level of service.

2. The Company proposes to retire 18 digital switches, and to acquire and install plant and equipment in its 18 exchanges to provide interLATA equal access and E-911 capability. Specifically, the Company proposes to install a host digital switch in its Huntsville exchange, then install remote switches, "dumb" concentrator devices and digital carrier in

its other 17 exchanges, and connect them with a fiber optic ring. The Staff and OPC reserve their rights to review the Company's decisions in future proceedings.

3. The Company agrees to send a letter to interexchange carriers no later than six months prior to the date the Company intends to provide customers with equal access, indicating such plans. The Company shall provide equal access within one year after acquiring the necessary hardware and software, and in no event later than June 30, 1997, or earlier if practicable considering the business conditions in the Company's service area and the Company's capital constraints, subject to the terms in paragraph 5. In implementing interLATA equal access, the Company shall comply with the requirements of the Federal Communications Commission Report and Order released March 19, 1985, in CC Docket No. 78-72, Phase III.

4. The Company agrees to serve each customer with electronic switching with E-911 access capability, or an enhanced version of it, by June 30, 1997, subject to the terms in paragraph 5.

5. The terms of paragraphs 3 and 4 are contingent upon the Commission's approval of this Stipulation and Agreement by January 23, 1995.

6. Regarding the Company's practice of providing local exchange telephone service to some customers via wireless (cellular) equipment in lieu of wire-line equipment:

a. The parties agree that the Company may provide local exchange telephone service without using wire-line equipment to a maximum of thirty-five (35) subscribers at a time on an experimental basis, according to the terms of this Stipulation and

Agreement. The Company may expand the scope of this experiment if it obtains the approval of the parties.

- b. The Company agrees to inform such subscribers that--
  - i. as part of an experiment, they receive local exchange telephone service via wireless (cellular) equipment, rather than wire-line equipment,
  - ii. they should promptly report any complaints or dissatisfaction to the Company, and
  - iii. they may also report complaints or dissatisfaction to the Missouri Public Service Commission at 1-800-392-4211.
- c. The Company agrees to report each complaint from the Company's wireless customers to the Staff--
  - i. within ten (10) business days, unless the Company resolves the complaint within five (5) business days, and
  - ii. quarterly, regardless of how long it takes to resolve the complaint, according to the terms of paragraph 9.

The Company agrees that it will replace any subscriber's wireless equipment with wire-line equipment as soon as practicable, but in no event beyond ninety (90) days of receiving a request from the Staff and OPC, provided the subscriber makes any contribution in aid of construction prescribed by the Company's tariffs.

- d. If the parties cannot agree by June 30, 1997, that wireless equipment provides adequate service, then the Company agrees to replace all subscribers' wireless

equipment with wire-line equipment as soon as practicable, but in no event later than December 31, 1997.

7. OPC and the Staff agree that if the Company abides by the terms of paragraphs 1, 3, 4 and 6, then the Company will be providing Basic Service to its wire-line customers by June 30, 1997, and to all its customers by December 31, 1997.

8. The Company agrees not to acquire or use more lines of analog subscriber carrier than it had in use on January 1, 1994.

9. The Company agrees to file in this docket reports on the status of its modernization implementation, until the Company provides Basic Service to all of its subscribers.

- a. Within 30 days of the Commission approval of this Stipulation and Agreement, and by December 1 of each year, the Company shall file its modernization plans for the next calendar year, including the categories of data listed in Attachment 1.
- b. Within 30 days of the end of each calendar quarter, the Company shall explain the extent to which the Company has conformed to its modernization plans, and provide data for each item listed in Attachment 2.
- c. Within 30 days of the end of each calendar quarter, the Company shall report all the complaints it has received from wireless subscribers, stating the customer telephone number, date, and a description of the complaint's nature and resolution.

10. Paragraph 2 describes the Company's plans to retire its digital switches. As of December 31, 1993, the Company had an unrecovered plant balance in these switches of \$3,417,603.27. The parties agree that the Company should amortize the net book balance

of the digital central office account at a rate of \$569,600.55 over six years, beginning January 1, 1994, in lieu of accruing depreciation at the 4% approved rate.

11. The Company seeks authority to borrow up to \$7.4 million in Case No. TF-95-137. The Company proposes to borrow money from either the National Bank for Cooperatives or the Rural Telephone Finance Corporation at a variable rate. The Company will select the optimal loan based upon a cost/benefit analysis of the terms. The Company will file the final loan documents, and a copy of the Company's cost/benefit analysis, in Case No. TF-95-137 within 30 days after executing the loan. The Company will use the loan proceeds for modernizing the Company's telephone system. The Staff regards the terms set forth in the Company's application as reasonable.

12. If the Missouri Public Service Commission ("the Commission") accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights--

- a. to call, examine or cross-examine witnesses, pursuant to § 536.070(2) RSMo 1986;
- b. to present oral argument and written briefs, pursuant to § 536.080.1 RSMo 1986;
- c. to have the Commission read any transcript resulting from this proceeding, pursuant to § 536.080.2 RSMo 1986; and
- d. to judicial review, pursuant to § 386.510 RSMo 1986.

This paragraph shall not affect any party's rights in any proceeding challenging the Company's compliance with this Stipulation and Agreement, or with the Modernization Rule.

13. Nothing in this stipulation shall constitute an agreement by the parties as to the reasonableness of the amount or value for ratemaking purposes of any specific planned or completed expenditure made by the Company in providing Basic Service. The parties acknowledge that the Company's current construction plans exceed those required to provide Basic Service. The Commission may consider, where appropriate, the ratemaking consequences of any such expenditure made or incurred by the Company in providing Basic Service in a subsequent ratemaking proceeding involving the Company.

14. The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. If the Commission does not approve this Stipulation and Agreement in total, it shall be void and no party shall be bound, prejudiced or in any way affected by any of the agreements or provisions hereof.

15. Except as specified herein, no party shall be bound, prejudiced or in any way affected by any of the agreements or provisions hereof in any future proceeding, or in any proceeding currently pending under a separate docket.

16. At the Commission's request, the Staff may give the Commission a written explanation of its rationale for entering into this Stipulation and Agreement, if the Staff also gives a copy of its explanation to each signatory to this Stipulation and Agreement. In that event, each signatory may give the Commission a responsive written explanation within five (5) business days of receipt of the Staff's explanation, if the responding signatory contemporaneously gives a copy of such responsive written explanation to all other signatories. Each signatory agrees to keep the Staff's and other signatory's explanations confidential, and to treat them as privileged to the same extent as settlement negotiations

under the Commission's rules. No signatory acquiesces in or adopts the explanations of another signatory. Such explanations shall not become a part of this proceedings' record, nor bind or prejudice any signatory in any proceeding.

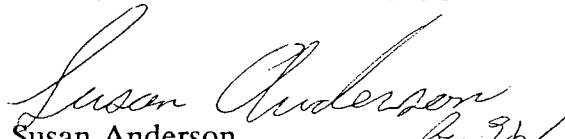
17. The Staff may provide whatever oral explanation the Commission requests at any agenda meeting, if the Commission has given notice that it may consider this Stipulation and Agreement at the meeting. The Staff shall inform the other signatories as soon as practicable when the Staff learns that the Commission will request such explanation. The Staff's explanation in agenda shall be subject to public disclosure, except to the extent it pertains to matters protected from disclosure.


WHEREFORE, the signatories respectfully request that the Commission issue an order that--

1. Approves this Stipulation and Agreement by January 23, 1995,
2. Approves the Company's financing application in Case No. TF-95-137, and
3. Keeps this docket open for the purpose of receiving the Company's status reports.


Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL      CHARITON VALLEY TELEPHONE CORPORATION

  
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THE STAFF OF THE  
MISSOURI PUBLIC SERVICE COMMISSION

  
Eric B. Witte  
Assistant General Counsel  
Missouri Public Service Commission  
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314-751-4140



Attachment 1

| <u>Switch Conversions</u> | <u>Equal Access Conversions</u> | <u>Interexchange Conversions</u> | <u>Analog Carrier Customers</u>   |
|---------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Exchange Name             | Exchange Name                   | Route                            | Current number served by exchange |
| DTMF Availability date    | Total Access Lines              | Miles to Convert                 | Future number served by exchange  |
| 911 Availability date     | Budgeted                        | Previous Facility Type           | <u>Wireless Customers</u>         |
| Custom Calling Features   | Total Dollars                   | Previous Facility Capacity       | Current number served by exchange |
| Features Available        | Capital Dollars                 | New Facility Type                | (List all telephone numbers)      |
| Availability date         | Expense Dollars                 | New Facility Capacity            | Future number served by exchange  |
| Total Access Lines        |                                 | Budgeted                         |                                   |
| Single Party              |                                 | Total Dollars                    |                                   |
| Multi Party               |                                 | Capital Dollars                  |                                   |
| Type of switch            |                                 | Expense Dollars                  |                                   |
| Budgeted                  |                                 |                                  |                                   |
| Total Dollars             |                                 |                                  |                                   |
| Capital Dollars           |                                 |                                  |                                   |
| Expense Dollars           |                                 |                                  |                                   |

Attachment 2

| Switch Conversions           | Equal Access Conversions     | Interexchange Conversions    | Analog Carrier Customers     |
|------------------------------|------------------------------|------------------------------|------------------------------|
| Date Completed               | Date Implemented             | Date Completed               | Number served                |
| Exchange Name                | Exchange Name                | Route                        |                              |
| DTMF Availability date       | Total Access Lines           | Miles Converted              | Wireless Customers           |
| 911 Availability date        | Budgeted                     | Previous Facility Type       | Number served                |
| Custom Calling Features      | Total Dollars                | Previous Facility Capacity   | (List all telephone numbers) |
| Features Available           | Capital Dollars              | New Facility Type            |                              |
| Availability date            | Expense Dollars              | New Facility Capacity        |                              |
| Total Access Lines           | Actual                       | Budgeted                     |                              |
| Single Party                 | Total Dollars                | Total Dollars                |                              |
| Multi Party                  | Capital Dollars              | Capital Dollars              |                              |
| Type of switch               | Expense Dollars              | Expense Dollars              |                              |
| Budgeted                     | Explain differences over 10% | Actual                       |                              |
| Total Dollars                |                              | Total Dollars                |                              |
| Capital Dollars              |                              | Capital Dollars              |                              |
| Expense Dollars              |                              | Expense Dollars              |                              |
| Actual                       |                              | Explain differences over 10% |                              |
| Total Dollars                |                              |                              |                              |
| Capital Dollars              |                              |                              |                              |
| Expense Dollars              |                              |                              |                              |
| Explain differences over 10% |                              |                              |                              |