

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of NuVox)
Communications of Missouri, Inc. for Authority to)
Provide its Security in Connection with Financing)

Case No. TF-2006-0408

AFFIDAVIT OF ROSELLA SCHAD

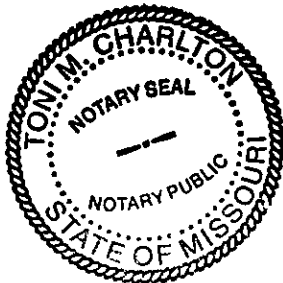
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Rosella Schad, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Written Memorandum, that the information given by her; that she has knowledge of the matters set forth; and that such matters are true and correct to the best of her knowledge and belief.

Rosella Schad
Rosella Schad

Subscribed and sworn to before me this 2nd day of May, 2006.

Toni M. Charlton



TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

MEMORANDUM

Staff Recommendation

To: Missouri Public Service Commission Official Case File
Case No. TF-2006-0408, NuVox Communications of Missouri, Inc.

From: Rosella Schad, Project Coordinator
Financial Analysis Department

/s/ Rosella Schad 05/02/2006
Financial Analysis/Date

/s/ William K. Haas 05/02/2006
General Counsel Division/Date

Subject: NuVox Communications of Missouri, Inc. Application for Authority to Provide its Security in Connection with Financing for its parent, Gabriel Communications Finance Company.

Date: April 28, 2006

Staff recommends that the Commission approve NuVox Communications of Missouri, Inc.'s (Applicant) Application to provide its security in connection with financing being arranged for its parent company, Gabriel Communications Finance Company.

The Applicant is a competitive local exchange company (CLEC). Staff generally concurs with Paragraph 7 of the Application which indicates that because the Applicant is a CLEC, it is a non-dominant carrier and operates in a competitive environment. If a company operates in a competitive environment, then the customer can choose its service provider based on quality of service and the cost of such service. In such an environment the market will ensure that a company that ceases to operate efficiently and effectively will be harmed by loss of customers and hence revenues. Consequently, in such cases, the Commission does not need to regulate companies that operate in this environment as rigorously as companies that operate under non-competitive environments. However, because Staff has a statutory mandate (Section 392.455, RSMo) to review CLEC applicants to determine if they have sufficient technical, managerial, and financial resources to be admitted to do business in the State of Missouri, Staff requested that the Applicant provide current financial information to support its continued compliance with the financial standards required to be granted a certificate as a CLEC.

The Applicant provided Staff with Pro Forma Financial Statements that included the impact proposed by the Application and a calculation showing that the Applicant will be in compliance with the financial criteria of Commission Rule 4 CSR 240-3.510(1)(D). This rule sets forth minimum financial criteria for an applicant for a CLEC certificate. These financial criteria include the following tests: 1.) The applicant should have a debt to total capital ratio no greater than 62 % and a pretax interest coverage of at least 2.3x or 2.) The applicant should have a cash or cash equivalent balance of at least four months operating expenses inclusive of interest expense and taxes. Staff concurs that the

Applicant's financial data provides a debt to total capital ratio of ** ____**% and a pretax interest coverage of ** ____**x. In other words, the Applicant will continue, following the proposed financing, to meet the financial criteria for an applicant for a CLEC certificate.

Based on its analysis, Staff believes that for the Applicant to provide its security in connection with the financing is not detrimental to the public interest.