

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

In the Matter of the Application of )  
Chariton Valley Telephone Corporation )  
for Authority and Approval to Issue )  
a Note, Loan Agreement, Mortgage, ) Case No. \_\_\_\_\_  
Security Agreement, and Financing )  
Statement, to borrow funds from )  
the Rural Utility Services of the )  
United States of America, and for )  
interim financing. )

**APPLICATION**  
**OF CHARITON VALLEY TELEPHONE CORPORATION**  
**FOR AUTHORITY AND APPROVAL TO ISSUE A NOTE AND ENTER INTO A**  
**LOAN AGREEMENT, MORTGAGE, SECURITY AGREEMENT, AND**  
**FINANCING STATEMENT TO BORROW FUNDS FROM THE RURAL**  
**UTILITY SERVICES OF THE UNITED STATES OF AMERICA, AND FOR**  
**INTERIM FINANCING**

Comes now Applicant Chariton Valley Telephone Corporation (hereinafter “Chariton Valley”), pursuant to § 392.290 RSMo, §392.300 RSMo, and §392.310 RSMo, and requests the Commission to grant this Application and grant Chariton Valley authority to enter into and execute a note, loan agreement, and related security instruments with the Rural Utility Services Administration of the Department of Agriculture of the United States of America (RUS). In support of this Application, Chariton Valley states as follows:

1. Chariton Valley is a Missouri corporation in good standing. Chariton Valley’s Certificate of Good Standing issued by the Missouri Secretary of State is attached to this Application as Attachment 1. Chariton Valley has been incorporated for

the purpose of, and in fact is engaged in the business of, operating an incumbent local exchange telecommunications company, and other business operations.

2. The street and mailing address of Chariton Valley's principal office and place of business is:

James Simon  
General Manager  
Chariton Valley Telephone Corporation  
1213 E. Briggs Drive  
P.O. Box 67  
Macon, Missouri 63552  
(660) 395-9600  
(660) 395-4403 (fax)

3. Correspondence, communications, pleadings, and orders and decisions in this proceeding should be sent to Chariton Valley at the above address, and also to Chariton Valley's counsel of record in this proceeding:

Craig S. Johnson MO Bar No. 28179  
Law Office of Craig S. Johnson  
1648A East Elm  
Jefferson City, Missouri 65101  
(573) 632-1900  
(573) 634-6018 (fax)  
[craig@csjohnsonlaw.com](mailto:craig@csjohnsonlaw.com)

### **Loan and Security Authorization Requests**

4. Chariton Valley provides basic local telecommunications services, and exchange access services, to customers within the state of Missouri, pursuant to prior Orders of the Commission granting Chariton Valley certificates of authority, approving tariffs, as has been routinely provided to an incumbent local exchange company.

5. Chariton Valley is a small rural incumbent local exchange telephone company providing service to approximately 8,000 customers in 18 exchanges in north central Missouri.

6. Chariton Valley has determined to construct new service facilities to improve service, replace existing plant, and to bring broadband capability closer to its customers' premises. The new facilities and improvements will include:

- a. A Next Generation switch is proposed to supplement the Huntsville 5ESS. This will establish a "cap and grow" environment to move Chariton Valley into a modern switching capability.
- b. Provide new, fiber-fed electronic sites to improve existing service and to expand and/or enhance broadband services in the rural areas of all eighteen exchanges.
- c. Construction of new, buried exchange fiber facilities to connect the proposed electronic sites. Costs were based on predicted designs and then extrapolated on a cost per mile basis.
- d. Provide Broadband Loop Carrier (BLC) electronics at the central offices to replace existing subscriber Loop Carrier (SLC) electronics in the following towns: Atlanta, Bosworth, Bynumville, Clifton Hill, DeWitt, Ethel, Excello, Forest Green, Hale, Jacksonville, New Boston and Prairie Hill.
- e. Provide Fiber to the Premise (FTTP) equipment in the towns of Huntsville and Salisbury. Costs were predicted from recent pricing and number of establishments.
- f. Deployment of new, buried FTTP fiber facilities and drops to replace the copper facilities in Huntsville and Salisbury towns. Costs for the

FTTP construction were based on predicted designs and then extrapolated on a cost per mile basis.

- g. Provide additional copper replacement throughout the serving area for growth, reinforcements, miscellaneous line extensions, and replacement of air-core facilities.
- h. To replace the existing transport electronics of GigE electronics to position for future broadband services in all 18 exchanges.
- i. Provide new standby power generators for the central offices in the exchanges of Bevier, Bosworth, Callao and Hale.
- j. Provide testing equipment for the operation of the communications system.

7. In order to perform the work described above, Chariton Valley has determined that such work will require a loan in order to equitably distribute the costs of such work among present and future customers, and in order to maintain debt to equity ratios within generally acceptable ranges.

8. Chariton Valley has secured a loan commitment from the Rural Utility Service, United States Department of Agriculture (RUS), the finalization of which is subject to this Commission's approval pursuant to § 392.290 RSMo, §392.300 RSMo, and §392.310 RSMo. Chariton Valley is in need of this Commission's approval of the note, loan agreement, mortgage, security agreement and financing statement. RUS has approved the construction plan, the loan application, and has executed the loan documents. RUS has established a deadline of April 20, 2007 in which Chariton Valley has to obtain Commission approval, execute the loan documents, and return them to

RUS. Chariton Valley will not execute them until approval from this Commission is received. Copies of these documents are attached hereto as Attachments 2 HC, 3 HC, 4 HC, and 5 HC.

9. The general terms and conditions to be contained in the note and loan agreement provide for a loan in a total amount up to \$42,960,000 with a repayment term and interest rate as set forth in the attached loan agreement. There will also be a need for initial temporary or interim financing until receipt of the initial RUS loan draw down amount.

10. The terms and conditions of the RUS security in Alma's property is set forth in the attached mortgage, security agreement, and financing statement.

11. A certified copy of the resolution of Chariton Valley authorizing this loan and security transaction is set forth hereto as Attachment 6.

12. The amount of the loan for which approval is sought herein is subject to the fee schedule set forth in § 386.300 RSMo.

13. Attached hereto as Attachment 7 HC are project and lending assumptions, projected or pro forma income statements, balance sheets, statements of cash flows, and a five year capitalization schedule. A motion for a protective order to protect the confidentiality of this confidential information is being separately requested simultaneously with the filing of this Application.

14. Chariton Valley has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court that involve customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application.

15. Chariton Valley has no any annual report or assessment fees which are overdue.

16. Granting of the loans, security, and accounting authority orders set forth above is not detrimental to the public interest, and will in fact be of benefit to the customers of Chariton Valley, their quality of life, and to the economic development of the rural areas in which they reside.

17. RUS has established a deadline of April 20, 2007 in which Chariton Valley has to obtain Commission approval, execute the loan documents, and return them to RUS. Accompanying this Application is a request for expedited approval from this Commission by March 30, 2007.

18. Also accompanying this Application is a request for a protective order.

WHEREFORE, on the basis of the foregoing, Chariton Valley respectfully requests an Order granting it approval and authority to enter into, and execute the documents necessary to do the following:

- A. Obtain interim financing;
- B. Obtain a loan from the United States of America in an amount up to but not exceeding \$42,960,000, to issue the loan and security as is set forth above, and provide the United States of America security in the assets of Chariton Valley therefore;
- C. Such other and further orders or actions necessary for approval and entry into these loans as may be necessary or convenient.

By /s/ Craig S. Johnson  
Craig S. Johnson MO Bar No.28179  
Law Office of Craig S. Johnson  
1648A East Elm  
Jefferson City, Missouri 65101  
(573) 632-1900  
(573) 634-6018 (fax)  
craig@csjohnsonlaw.com

**CERTIFICATE OF SERVICE**

The undersigned does hereby certify that a true and accurate copy of the foregoing was electronically mailed this 24<sup>th</sup> day of January, 2007, to Staff General Counsel Kevin Thompson, and to Office of Public Counsel Michael Dandino.

/s/ Craig S. Johnson  
Craig S. Johnson MO Bar No. 28179

## VERIFICATION

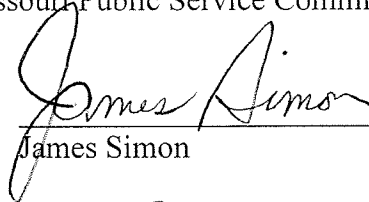
State of Missouri     )  
                                  ) ss.  
County of Macon     )

Comes now James Simon, being of lawful age and duly sworn, swears and affirms that:

1. My name is James Simon. I am the General Manager of Chariton Valley Telephone Corporation. In that capacity I am authorized by Chariton Valley Telephone Corporation to apply for Missouri Commission approval of the requests contained in this Application.

2. The information contained in this Application is true and accurate to the best of my knowledge, information, and belief.

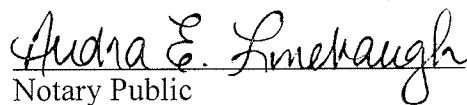
3. Chariton Valley Telephone Corporation has authorized Craig S. Johnson to file and prosecute this application before the Missouri Public Service Commission.

  
James Simon

Subscribed and sworn to before me this 15<sup>th</sup> day of January, 2007.



AUDRA E. LINEBAUGH  
My Commission Expires  
May 27, 2010  
Chariton County  
Commission #06434277

  
Notary Public

My Commission expires May 27, 2010