Happy, Kim

Subject: FW: TU-2005-0358, Alma Financing

Attachments: atcsqs.doc

From: Craig Johnson [mailto:cjohnson@aempb.com]
Sent: Wednesday, June 08, 2005 9:16 AM
To: Kevin Thompson
Cc: Robert Franson; Andy Heins
Subject: TU-2005-0358, Alma Financing

Judge Thompson:

I apologize for not being present at the June 7 agenda. Alma Manager Andy Heins and myself do plan on being present Thursday.

I obtained what I believe is at least a partial list of Commissioner questions. I have taken the liberty of attaching a document setting forth those questions, and Alma's responses thereto. It is my hope that these will facilitate the discussion at Agenda Thursday. Please circulate this email with the attachment to the Commissioners.

I am copying in Staff.

Craig S. Johnson
Andereck, Evans, Milne, Peace, and Johnson, LLC.

TU-2005-0358

Alma Telephone Company Responses to questions arising at June 7, 2005 Agenda.

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 understands the $16,000 figure represents per customer recovery over 5 years. The loan period exceeds 20 years, so this figure appears to be somewhat overstated. The increased revenues needed to repay this loan will primarily come from increases in Federal USF Support. Alma will convert from a National Exchange Carrier Association (NECA) average schedule to a cost company. This conversion, and the new switch and fiber investment are calculated to increase Alma's Federal USF Support payments by more than $600,000 per year by 2007. This increased USF support is a part of the financial analysis upon which the RUS loan application was submitted and approved, upon which this loan application was submitted, and upon which Staff's recommendation was based.

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?

The FCC unified intercarrier compensation docket is not expected to adversely effect the total revenues of Alma. If the FCC directs a reduction in Alma's (NECA's) interstate access rate, make-whole interstate revenues should be provided through either an increase in Federal USF support or a new rural/high cost support charge or fund.

If the FCC were to cause an reduction of interstate revenues without make-whole interstate revenues, the intrastate sources of replacement revenue would be the Missouri USF high cost fund, Missouri access rate increases, Missouri wireless termination rate increases, or local rate increases.

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 does not believe LNP delays impacts the analysis. The Maitel switch needs replacement because of lack of vendor support, and because of CALEA requirements. LNP capability is a minor factor dictating switch replacement. More LNP delays will not delay the necessity of switch replacement. Alma cannot state to what extent LNP requirements would result in other LECs requesting loans.

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 for video service. Revenues and expenses associated with provisioning video service was not part of the loan analysis. Alma realizes that fiber to the home will enable the provision of data and video in addition to voice. However there is no business plan that attempts to calculate the customer demand for video, the programming costs, sustainable competitive price levels, or local franchise requirements. If video is offered, logic suggests it will have to be done either by Alma, or by a separate affiliate paying Alma for use of the fiber facilities.

Will Alma qualify for price cap regulation under SB237?

Alma believes there are two or more CMRS providers operating in its areas. If SB237 is signed into law, Alma does not anticipate electing to be price cap regulated.