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IDAHO PUBLIC  
UTILITIES COMMISSION

Attorneys for Cambridge Telephone Company  
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION  
OF CAMBRIDGE TELEPHONE COMPANY  
FOR AUTHORITY TO BORROW FROM  
THE RURAL UTILITIES SERVICE ("RUS")  
AND THE RURAL TELEPHONE BANK  
("RTB") IN THE AMOUNT OF NOT MORE  
THAN \$17,500,000

Case No. CAM-T-03-02

**APPLICATION OF CAMBRIDGE  
TELEPHONE COMPANY**

Cambridge Telephone Company ("Cambridge" or "Applicant"), by and through its attorneys Givens Pursley LLP, makes this Application pursuant to Idaho Code § 61-901 for authority to execute a Loan Agreement in the amount of not more than Seventeen Million Five Hundred Thousand Dollars (\$17,500,000) with the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB"). In support of its Application, Cambridge states as follows:

1. Applicant is a certificated telephone corporation organized under the laws of the State of Idaho providing telecommunication services including local exchange service within the state of Idaho.

2. All notices and communications with regard to this Application should be served upon:

Conley E. Ward  
GIVENS PURSLEY LLP  
601 W. Bannock Street  
P. O. Box 2720  
Boise, ID 83701-2720

ORIGINAL

Rick Wiggins  
Cambridge Telephone Company  
130 Superior Street  
P. O. Box 88  
Cambridge, ID 83610

3. The proposed RUS and RTB loan proceeds will be used to pay for and partially reimburse general funds to: (1) implement a long-range network migration strategy that will enable Cambridge to upgrade its system to provide ubiquitous broadband service, (2) provide new fiber optic and buried cable, (3) purchase new work trucks and test equipment, (4) to refund certain existing loans, and (5) for related system improvements.

4. The proposed funding is structured as three separate loans: a \$7,500,000 loan from RUS, and concurrent loans of \$6,096,000 from RUS and \$3,547,950 from RTB. The \$7,500,000 RUS loan will qualify as a hardship loan with an interest rate of five percent (5%) per annum. The interest rate on the other two loans will be at RUS's and RTB's then current market rates at the time advances are made. Copies of RUS's commitment letter and preliminary loan study letter are attached as Exhibits A and B, respectively.

5. The proposed transaction is consistent with the public interest. Construction of the upgraded facilities will improve service for Cambridge's existing Idaho customers. Construction will further serve the goals of universal service.

6. A copy of the Applicant's most recent Annual Report showing the authorized and outstanding classes of Applicant's securities is on file with the Commission, and the Applicant respectfully requests the Commission take official notice thereof. A certified copy of Applicant's Board of Directors' resolution authorizing the proposed transaction is attached hereto as Exhibit C.

7. A Proposed Order granting this Application is attached hereto as Exhibit D.

8. Notice of this Application will be published within seven (7) days in *The Idaho Statesman* (Boise). A copy of this Notice is attached as Exhibit E.

9. Applicant submits that the public interest does not require a hearing on this matter and it requests that the Commission process this Application and determine this matter by

Modified Procedure, pursuant to Rule 23 of the Commission's Rules of Practice and Procedure. In the event the Commission determines that formal proceedings on this Application are necessary, Applicant stands ready for immediate hearing.

10. Applicant has attached its filing fee, calculated pursuant to Section 61-905, Idaho Code, in the amount of ONE THOUSAND DOLLARS (\$1,000.00).

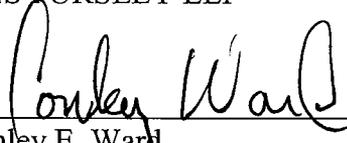
WHEREFORE, Applicant respectfully requests an Order of this Commission:

1. Granting the foregoing Application of Cambridge Telephone Company to execute and deliver to the Rural Utilities Service AND Rural Telephone Bank loan agreement in an aggregate amount not to exceed \$17,500,000;

2. Granting such other relief as the Commission deems just and reasonable in this matter.

RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of November 2003

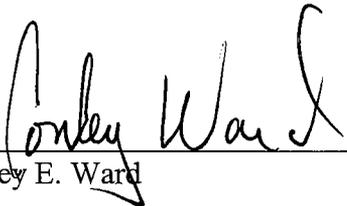
GIVENS PURSLEY LLP

By  \_\_\_\_\_  
Conley E. Ward  
Attorneys for Cambridge Telephone Company

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 12<sup>th</sup> day of November 2003 I caused to be served, via hand delivery, a true and correct copy of the foregoing document to the following:

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 W. Washington Street  
Boise, ID 83702

  
\_\_\_\_\_  
Conley E. Ward



United States Department of Agriculture  
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service  
Washington, DC 20250

SEP 24 2003

Mr. Kermit L. Wiggins  
President  
Cambridge Telephone Company  
P. O. Box 86  
Cambridge, Idaho 83610

Dear Mr. Wiggins:

We are pleased to advise that a loan in the amount of \$7,500,000 from the Rural Utilities Service (RUS), under Section 305(d) (1) of the Rural Electrification Act of 1936, as amended at an interest rate of 5.00 percent per annum, and concurrent loans in the amounts of \$6,096,000 from the RUS and \$3,547,950 from the Rural Telephone Bank have been approved for your organization. The interest rate for each advance will be determined in accordance with our letter of April 28, 2003. The loan contract and other documents will be forwarded in the near future for execution. These loans are approved with the understanding that the loan contract will be authorized and executed by your organization and returned to us by the date which will be set forth in the letter transmitting the loan contract.

Sincerely,

A handwritten signature in cursive script that reads "Roberta D. Purcell".

ROBERTA D. PURCELL  
Assistant Administrator  
and  
Assistant Governor

cc: Mr. Richard Wiggins, General Manager



United States Department of Agriculture  
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service  
Washington, DC 20250

Mr. Kermit L. Wiggins  
President  
Cambridge Telephone Company  
P. O. Box 86  
Cambridge, Idaho 83610

APR 28 2003

Dear Mr. Wiggins:

We have completed our preliminary studies of your organization's "G" loan application and are submitting the results of these studies for your consideration. They show that your organization qualifies for a hardship loan in the amount of \$7,500,000 made by the Rural Utilities Service (RUS) and concurrent loans in the amount of \$4,395,000 made by the RUS and \$2,558,850 made by the Rural Telephone Bank (RTB). The concurrent loan ratio between RUS and the RTB is based on the total amount of funds appropriated for Fiscal Year 2003 for RUS cost-of-money loans and RTB loans.

The hardship loan will bear interest at 5.0 percent and the concurrent loans will bear interest at the rate applicable to each advance of loan funds based on the average yield on outstanding marketable obligations of the United States having final maturity of the advance. The RUS cost-of-money loan interest rate will be fixed at the time of each advance. The interest rate on each RTB loan advance, however, will be an interim rate. A permanent interest rate will be determined on each RTB loan advance at the end of the fiscal year in which the advance is made based on RTB's cost-of-money rate for the fiscal year. Interest rates of 4.35 and 5.00 percent for the contemplated RUS cost-of-money loan and the RTB loans, respectively, were used in our feasibility study. It should be understood that this letter is not a commitment that a loan will be approved.

Hardship loans are approved quarterly using a priority system (see RUS regulation 7 CFR 1735.30). Specifically, RUS will rank all applications at the end of the quarter based on criteria provided in the regulation. At that time, you will be notified of the status of your organization's loan application. In accordance with the regulation, the hardship portion of your loan has been limited to \$7,500,000 to more equitably distribute the amount of hardship funds among the greatest number of qualified borrowers.

Our studies show that \$14,332,000, of the above funds will be needed to: 1) connect 15 new subscribers, 2) replace the existing DCO central offices, 3) add DSL capability in 3 exchanges, 4) add fiber optic and buried cable facilities, 5) purchase new work trucks and test equipment and perform other system improvements. In addition to the funds required for construction, the enclosed Preliminary Telephone Loan Budget, RUS Form 493, includes \$121,850 for investment in RTB Class B Stock.

Rural Development is an Equal Opportunity Lender  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, DC 20250

CAMBRIDGE TELEPHONE COMPANY  
LOAN APPLICATION  
EXHIBIT B

Mr. Kermit L. Wiggins

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Also, enclosed is a copy of the "Forecast of Revenues and Expenses" for the proposed system. It is based on the number of subscribers proposed to be served, existing local service rates without mileage and zone charges, and other revenues and expenses outlined in the form.

Before a loan can be approved, RUS must receive evidence that your organization has obtained written acknowledgement from CoBank, ACB that the preliminary RUS financial studies indicate certain minimum financial standards will be met in accordance with Article 1 Section 1(b) of the Restated and Consolidated Mortgage, Security Agreement and Financing Statement dated as of June 1, 2001.

If a loan is approved, no "G" loan funds will be released until your organization has furnished to RUS, among other things, all of the documents, opinions, and other evidence listed in the loan contract applicable to this loan, including; evidence that your organization has duly authorized, executed, recorded, and filed a security instrument, in form and substance satisfactory to RUS.

No "G" loan funds will be advanced for construction that requires clearance from the Natural Resources Conservation Service, U S Fish and Wildlife Service, The State Historic Preservation Office or Tribal Historic Preservation Office if applicable, State Game and Fish and Corps of Engineers, until RUS has received and approved project specific environmental reviews.

Please note that your loan contract will contain a covenant that your organization must request and receive approval from RUS prior to making future investments in CTC Telecom.

Debt service payments are to be made on a monthly basis. This requirement will be included in the mortgage note. Outstanding loans will continue to be billed as required by the mortgage note for that loan.

The mortgage will contain a provision requiring your organization to maintain a TIER of at least 1.0 throughout the forecast period ending December 31, 2006. After this date your organization will be required to maintain a TIER of at least 1.45.

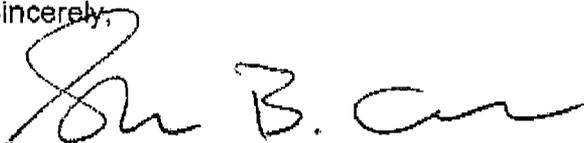
The maturity period of your "G" loan is 15 years as you requested in your loan application package. The principal repayment period will be 13 years. The approximate amounts to be repaid will be \$10,214,000 at a monthly payment of \$65,500 for the RUS hardship loan portion, \$5,759,000 at a monthly payment of \$36,900 for the RUS cost-of-money portion and \$3,485,000 at a monthly payment of \$22,000 for the RTB portion, assuming the interest rates used in the feasibility study. The actual repayment of the loan will depend on the schedule of advances of loan funds. A savings in interest costs over the life of the loan would result if a shorter amortization period were selected.

Mr. Kermit L. Wiggins

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We would appreciate any suggestions you may have with respect to the matters discussed in this letter. If you concur in the above requirements, please let us know by facsimile (202-690-4654) with a follow-up letter from an officer of your organization. Our office should, however, be advised of your decision no later than 15 days from receipt of this letter.

Sincerely,



*for* JERRY H. BRENT, Director  
Northwest Area  
Telecommunications Program  
Rural Utilities Service

Enclosures

cc: Mr. Richard A. Wiggins

**USDA-RUS  
PRELIMINARY  
TELEPHONE LOAN BUDGET**

**NAME OF BORROWER**  
Cambridge Telephone Company

**BORROWER and LOAN DESIGNATION**  
Idaho 512-G12 & G15 Cambridge

**BUDGET ITEM**

**PRIOR LOAN**

**RESERVES AS OF:** 7/23/2002

RESERVE  
BALANCES  
A.

AVAILABLE FOR  
NEW PROJECTS  
B.

NEW PROJECT  
BUDGET  
C.

1. CONSTRUCTION	a. CENTRAL OFFICE	\$300,000		\$6,380,000
	b. OUTSIDE PLANT	128,856		6,171,000
	c. LAND and BUILDINGS			132,000
	d. SPECIAL PROJECTS			
2. ENGINEERING	a. PRELOAN			20,000
	b. CONSTRUCTION			1,304,000
3. OPERATING EQUIPMENT	a. OFFICE EQUIPMENT			
	b. VEHICLES and WORK EQUIPMENT			325,000
4. a. OVERHEAD EXPENDITURES				
	b. CLASS B STOCK - RURAL TELEPHONE BANK			121,850
5. OPERATING FUNDS				
6. REFINANCING WITH LOAN FUNDS				
7. ACQUISITIONS				
8. OTHER				
9. TOTALS		\$428,856		\$14,453,850
10. LESS AVAILABLE FROM PRIOR LOANS (COL. B, ITEM 9)				
11. LESS NON-LOAN FUNDS				
12. TOTAL NEW LOAN FUNDS				\$14,453,850
13. HARDSHIP LOAN				7,500,000
14. CONCURRENT - COST OF MONEY				4,395,000
15. CONCURRENT - RURAL TELEPHONE BANK				2,558,850
16. GUARANTEED LOAN				
17. OTHER LOAN				

**REQUIRED ADDITIONAL BUDGET DATA**

18. PRIOR LOANS		19. NON-LOAN FUNDS, AS ADJUSTED	20. CUMULATIVE ADVANCES AS OF FRM # 33
PRIOR LOAN TOTALS	\$4,838,000	NON-LOAN FUNDS, PRIOR LOAN	REA \$4,406,562
REA LOANS	4,838,000	SALE OF PROPERTY	RTB
RTE LOANS		OTHER	FFB
RUS LOANS		TOTAL, NON-LOAN FUNDS	RUS
GUARANTEED LOANS		\$5,062	
22. RETIRED PLANT			21. ENCUMBERED BUT UNADVANCED FUNDS \$ 2,582
ESTIMATED ORIGINAL COST OF RETIRED PLANT (this loan)		NEW & ACQUIRED AREAS	EXISTING AREAS
ESTIMATED SALVAGE VALUE OF RETIRED PLANT (this loan)			\$6,600,000
			\$173,000

**NOTES**

Retirements: COE - \$4.6 million and Outside Plant - \$2 million

Salvage: COE - \$173,000

FORECAST OF REVENUES AND EXPENSES		CORPORATE NAME AND ADDRESS	
		Cambridge Telephone Company Cambridge, Idaho	
LOAN DESIGNATION		SUBSCRIBER FORECAST	
Idaho 512-G12 & G15 Cambridge		2,045	
1. Local Network Service Revenues*		\$1,042,101	
2. Access, Long Distance Network, and Carrier Billing & Collection Revenues		3,568,843	
3. Miscellaneous Revenues		18,916	
4. Less Uncollectible Revenues		2,270	
5. Net Operating Revenues		\$4,627,590	
6. Plant Specific Operations Expense		\$467,937	
7. Plant Nonspecific Operations Expense		28,385	
8. Depreciation Expense		1,734,898	
9. Amortization Expense		173,496	
10. Customer Operations Expense		178,385	
11. Corporate Operations Expense		492,947	
12. Other Operating Income and Expense		0	
13. Taxes Excluding F.I.T.		25,460	
14. Total Fixed Charges (Interest)		981,795	
15. Nonoperating Net Income (expressed with the opposite arithmetic sign)		(29,570)	
16. Extraordinary Items		0	
17.		0	
18. Nonregulated Net Income		(16,000)	
19. Total Expenses, Excluding Federal Income Taxes		\$4,037,733	
20. Net Income Before Federal Income Taxes		\$589,857	
21. Federal Income Taxes		139,454	
22. Net Income After Federal Income Taxes		\$450,403	
23. Add Interest		981,795	
24. Net Operating Income		\$1,432,198	
25. Add: Depreciation And Amortization		1,908,394	
26. Available For Interest And Principal Payments		\$3,340,592	
27. Scheduled Interest And Principal Payments		2,021,386	
28. Available For Plant Additions, Replacements, Etc		\$1,319,206	
29. Times Interest Earned Ratio (Line 24 / Line 23)		1.45	
Item 14 (interest)			
Outstanding Loan Balance(s).....@ 3.41%	\$2,378,407.00	=	\$80,989
Current Loan(s).....@ 4.80%	\$14,453,850.00	=	\$694,126
Total Outside Financing.....@ 6.80%	\$3,039,411.00	=	\$206,680
Total Interest.....			\$981,795
*Local Service Revenues Based On Approved Rates			

**CERTIFIED COPY OF MINUTES AUTHORIZING LOAN**  
**APPLICATION AND AGREEMENT**

I, \_\_\_\_\_, do hereby certify that: I am the Secretary of Cambridge Telephone Company (the "Member").

The following is a true and correct copy of excerpts from the minutes of a meeting of the Board of Directors of the Member held \_\_\_\_\_, as they appear in the Minutes Book of the Member, said resolutions duly adopted thereat; the meeting was duly and regularly called in accordance with the bylaws of the Member; the Loan Applications and Agreements (the "Agreements") submitted herewith or to be submitted to Rural Utilities Service and Rural Telephone Bank are substantially similar to the forms of the Agreement as presented to said meeting, the execution of which was authorized by the Board of Directors and said resolutions have not been modified or rescinded:

"The Board of Directors of Cambridge Telephone Company having been advised by its counsel that the Member is legally constituted, is in compliance with all applicable statutory, regulatory and other legal requirements and is in good standing, and that an application to be made to Rural Utilities Service ("RUS") for loans and their approval by RUS, together with the execution of an agreement as authorized by the Board, in the form of the Agreements presented at this meeting, will constitute valid and binding obligations of the Member, enforceable by and against the Member, in accordance with the terms of these documents;

"RESOLVED, that the Member borrow from the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB") an amount which shall not exceed in the aggregate \$17,500,000.00 for terms as set forth in the Agreements, and at such interest rate or rates as shall be prescribed in the Agreement executed by and on behalf of the Member and delivered to RUS and RTB, the proceeds of such loans to be used for purposes set forth in the Agreements and consistently with the requirements of existing agreements and security documents of the Member; and,

"RESOLVED, that the President of the Member be and is hereby authorized to execute, on behalf of the Member, agreements substantially in the form of the Agreements presented to this meeting, to revise and modify said Agreements within the amount so authorized; and to apply such further documents as may be need to comply with RUS's and RTB's requirements; and,

"RESOLVED, that the President is authorized on behalf of the Member to request and receive funds pursuant to the Agreements and is directed to deposit such funds in a bank account used for the general funds of the Member; and,

"RESOLVED, that the appropriate officers are authorized to take all actions they deem advisable to carry out the purpose of these resolutions."

IN WITNESS WHEREOF, I have hereunder set my hand and affixed the seal of the Member, this \_\_\_\_\_ day of November, 2003.

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Secretary

Conley Ward, Idaho State Bar # 1683  
GIVENS PURSLEY LLP  
277 North 6th Street, Suite 200  
P. O. Box 2720  
Boise, ID 83701  
(208) 388-1200  
(208) 388-1201 (fax)

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

In the Matter of the Application of Cambridge ) Case No.  
Telephone Company for Authority to Borrow )  
from the Rural Utilities Service ("RUS") and ) PROPOSED ORDER  
the Rural Telephone Bank ("RTB") in the )  
Amount of Not More Than \$17,500,000 )  
 )  
 )  
 )

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On November 12, 2003, Cambridge Telephone Company (hereinafter Applicant), filed an Application for Loan Approval with this Commission requesting authority to execute loan contract amendments and supplemental mortgages in the amount of not more than \$17,500,000 with the United States of America, acting through the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB").

In support of said Application, Applicant alleges that the proposed RUS and RTB loan proceeds will be used to pay for, and partially reimburse general funds to: (1) implement a long-range network migration strategy that will enable Cambridge to upgrade its system to provide ubiquitous broadband service, (2) provide new fiber optic and buried cable, (3) purchase new work trucks and test equipment, (4) to refund certain existing loans, and (5) for related system improvements.

After examining the Application and supporting documents and being fully advised in the premises, the Commission hereby finds that a hearing in this matter is not required, and that the proposed transaction is consistent with the public interest and the Applicant's proper performance of its duties as a public utility.

IT IS THEREFORE ORDERED that the Application of Cambridge Telephone Company, for authority to execute a loan contract amendment and supplemental mortgage with the RUS and RTB in an amount not to exceed \$17,500,000 be, and the same is hereby granted.

DONE by Order of the Idaho Public Utilities Commission this \_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Paul Kjellander, President

\_\_\_\_\_  
Dennis S. Hansen, Commissioner

\_\_\_\_\_  
Marsha Smith, Commissioner

ATTEST:

\_\_\_\_\_

LEGAL NOTICE OF CAMBRIDGE TELEPHONE COMPANY  
APPLICATION FOR AUTHORITY TO BORROW FUNDS

NOTICE IS HEREBY GIVEN that on November 12, 2003, Cambridge Telephone Company completed and filed with the Idaho Public Utilities Commission an Application for authority to borrow up to \$17,500,000 from the United States of America, acting through the Rural Utilities Service and the Rural Telephone Bank and in connection with the borrowing, to execute a telephone loan contract amendment and a supplemental mortgage.

The Application is on file and is available for public inspection at the Idaho Public Utilities Commission. Any person desiring to comment on said Application must file petitions or protests with the Idaho Public Utilities Commission within fourteen (14) days of the filing date. If no protests are received within this time limit, the Commission may consider the Application and enter its Order without setting the matter for hearing. If written protests are filed with the Commission within the time limit set, the Commission will consider the same, and in its discretion, may set a hearing. Petitions or protests must be filed with: Jean Jewell, Secretary, Idaho Public Utilities Commission, Statehouse, Boise, Idaho 83720.

Jean Jewell, Secretary  
Idaho Public Utilities Commission