(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF THE APPLICATION OF COUNCIL TELEPHONE COMPANY FOR AUTHORITY TO BORROW FROM COBANK, ACB, IN THE AMOUNT OF $300,000. | ))))) | CASE NO. COU-T-97-2ORDER NO.  27282 |

On November 26, 1997, Council Telephone Company applied for an order authorizing it to execute a Supplement to its Master Loan Agreement dated October 15, 1996, in the amount of $300,000 with CoBank, ACB.  This transaction originated in the acquisition of exchanges from U S WEST Communications, Inc. in 1996.

The Idaho Public Utilities Commission, having fully considered the Application, including the supplemental information and exhibits attached thereto, and all of the Commission’s files and records pertaining to this Application, makes the following findings of fact and conclusions of law.

BACKGROUND

On March 5, 1996, the Commission approved the sale of the U S WEST exchange of Council to Cambridge Telephone Company or its wholly-owned subsidiary, Council Telephone Company, Inc.  Order No. 26353.  In addition to the original Application, Cambridge and Council requested authority to incur or guarantee indebtedness for the purchase of the exchange.  On October 11, 1996, the Commission granted Cambridge and Council authority to incur or guarantee indebtedness for the purchase of the exchange.  Order No. 26632.  The purchase price was subsequently reduced by a switch replacement contribution so the ultimate financing was also reduced.  Cambridge applied for an amended order to reflect that reduction, and on October 16, 1996, the Commission amended Order No. 26632 to reflect the reduction in the price of the acquisition and the related reduction in the financing.  Amended Order No. 26632.

COUNCIL’S APPLICATION

Council now requests authority to execute a loan contract amendment with CoBank to borrow up to $300,000 in one or more incremental loans and to execute a promissory note reflecting that loan.  The proceeds will be used to purchase equipment and pay off indebtedness to U S Bank.  The specific terms of the loan will be determined at the time of each borrowing.  However, Council indicates that the term will be for no longer than September 20, 2007.

According to Council, the new plant installations will be to improve central office capabilities and install outside plant to serve new and existing customers in Idaho.  Refinancing the U S Bank indebtedness will reduce the interest rate.  Council states that the loan origination fee is $1,500 and the obligations will be secured by a real estate deed of trust and security agreement.

STAFF RECOMMENDATION

Staff recommended the Commission grant Council authority to increase its indebtedness up to $300,000 with CoBank with the term to end by September 20, 2007.  The Staff expressed some concerns about the reasonableness of the $1,500 loan origination fee and indicated that Council will be required to demonstrate its cost effectiveness in any subsequent rate case.  If Council cannot demonstrate its cost effectiveness, the Staff may recommend adjustments to the cost of debt or recommend that this origination fee not be recovered.

FINDINGS OF FACTAND CONCLUSIONS OF LAW

Council is a telephone corporation within the definition of Idaho Code § 61-121 and a public utility within the definition of Idaho Code § 61-129.  The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provisions of Idaho Code § 61-901, et seq., and the Application reasonably conforms to Rules 141 through 150 of the Commission’s Rules of Procedure, IDAPA 31.01.01.141-150.

The method of issuance is proper.

The Commission finds that the general purposes to which the proceeds will be put are lawful purposes under the Public Utility Law of the state of Idaho and are compatible with the public interest.  However, this is only a general approval of the purposes to which the proceeds will be put, and is not a finding of fact or a conclusion of law that any particular construction program is approved by this Order.  The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for rate making purposes.  The Idaho Public Utilities Commission does not have before it for determination, and therefore does not determine, any effect of the proposed transactions on rates to be charged by Council for telephone service to consumers in the state of Idaho.

All lawful fees have been paid by Council Telephone Company, as provided by Idaho Code § 61-905.

The Commission finds that the Application should be approved.

O R D E R

IT IS THEREFORE ORDERED that thisApplication by Council Telephone Company for authority to execute a loan contract amendment, an amendment to a deed of trust and a promissory note in the amount $300,000 with CoBank, ACB, is granted.

IT IS FURTHER ORDERED that Council Telephone Company, Inc. shall file with this Commission a report of securities issued including verified copies of any agreement entered into in connection with the issuance of debt setting forth the date of issuance, principal amount, interest rate, date of maturity and all other terms.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuation, estimates, or determination of costs, or any other matter that may come before this Commission pursuant to this jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Chapter 9, Title 61, Idaho Code, or any act of deed done or performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever, any security authorized, issued, assumed or guaranteed under the provisions of Chapter 9, Title 61, Idaho Code.

IT IS FURTHER ORDERED, that the issuance of this Order does not constitute acceptance of Council Telephone Company’s exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this                  day of December 1997.

DENNIS S. HANSEN, PRESIDENT

RALPH NELSON, COMMISSIONER

MARSHA H. SMITH, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

O:cout972.cc

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

December 26, 1997