

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF MIDVALE TELEPHONE EXCHANGE,)	CASE NO. MID-T-07-01
INC. FOR AUTHORITY TO BORROW)	
FROM THE RURAL UTILITIES SERVICE)	
(RUS) IN AN AMOUNT NOT TO EXCEED)	ORDER NO. 30462
\$12,145,000)	
)	

On October 15, 2007, Midvale Telephone Exchange, Inc. filed an Application requesting authority to execute a loan agreement and promissory note in an amount not to exceed \$12,145,000 with the United States of America acting through the Rural Utilities Service (RUS). Midvale is a telephone corporation organized under the laws of Idaho and generally provides telecommunications services with the states of Idaho, Arizona and Oregon.

The Application indicates that the proposed RUS loan will be used to pay for, and partially reimburse general funds to: (1) extend service to approximately 1,081 new customers; (2) provide for central office switching and software upgrades; (3) provide for central office equipment upgrade; (4) make related system improvements including replacement of an existing analog microwave system with fiber optic cable; and (5) repay a line of credit with the Rural Telephone Finance Cooperative (RTFC) that was used to construct some of the above mentioned facilities and that will be refinanced through the proposed RUS loan.

The loan qualification and approval letters dated June 29 and August 8, 2007 were included with the Application. Midvale asserts that the proposed RUS loan may qualify as a hardship loan with an interest rate of approximately 5% per annum. If the loan is not designated as a hardship loan, the interest rate will be at RUS's then current market rates at the time of closing.

Midvale states that the proposed transaction is consistent with the public interest. The extension of service to new customers and upgrading its current facilities will improve service for the Company's customers. In addition, the anticipated improvements will allow Midvale to meet new service demands. Consistent with *Idaho Code* § 61-905, Midvale has paid the requisite filing fee of \$685.20.

STAFF REVIEW AND RECOMMENDATION

Commission Staff reviewed the Company's Application and the accompanying documents. Staff recommended approval of the Application with the following conditions:

- (1) Provide copies of the RUS final loan approvals including documentation for advances.
- (2) Provide a copy of any executed collateral documentation.
- (3) Provide copies of all annual certification, covenant reports, and letters regarding these determinations.
- (4) The "Report of Securities Issued."

For ratemaking purposes, the Commission should reserve judgment on the reasonableness of the Company's use of proceeds in capital investments, the cost of the investment, the allocation of the costs to states, and any associated expenses incurred for any and all security issuances. The Company shall promptly notify the Commission of any covenant violations.

FINDINGS OF FACT

Midvale Telephone is principally engaged in the provision of telecommunications services in Idaho, Arizona and Oregon. Midvale is a telephone corporation within the definition of *Idaho Code* § 61-121 and is a public utility as defined by *Idaho Code* § 61-129. The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to Title 61, Idaho Code, and specifically *Idaho Code* §§ 61-508, 61-901, and 61-902.

After reviewing the Application and Staff's recommendation, the Commission finds that an evidentiary hearing in this matter is not required.

The Commission further finds that the Application requesting authorization to execute a loan agreement and promissory note in an amount not to exceed \$12,145,000 with the RUS is for a lawful purpose and is within Midvale's corporate powers. The Commission further finds that the loan agreement is compatible with the public interest and the method of issuance is proper.

Based upon the representations in the Application, we find that the proceeds from the proposed loan will be used to pay for equipment and system improvements and to repay a line of credit with the RTFC that was used to construct some of the facilities and improvements mentioned above.

The Commission further finds that the Application requesting authority to borrow \$12,145,000 and execute a supplement mortgage subject to those conditions recommended by Staff is for a lawful purpose, is within Midvale Telephone's corporate duties, and is generally compatible with the public interest.

The issuance of this Order does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

Finally, the Commission finds that the Company has paid the necessary fee as required by *Idaho Code* § 61-905.

ORDER

IT IS HEREBY ORDERED that Midvale Telephone Company, Inc.'s Application for authority to execute a loan agreement and promissory note in an amount not to exceed \$12,145,000, together with a supplemental mortgage under the terms and conditions and for the purposes set forth in the Application and this Order is granted.

IT IS FURTHER ORDERED that Midvale file, as soon as available, copies of the RUS final loan approvals including documentation for advances, executed collateral documentation, annual certifications, covenant reports, and letters regarding these determinations and "Report of Securities Issued."

IT IS FURTHER ORDERED that Midvale Telephone will promptly notify the Commission if it does not qualify for a hardship loan at the interest rate of approximately 5% per annum. If the loan is not designated as a hardship loan, Midvale shall expeditiously notify the Commission of the interest rate at the time of closing.

IT IS FURTHER ORDERED that Midvale Telephone will promptly notify the Commission of any covenant violations.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any loan or mortgage authorized, issued, assumed or guaranteed under the provisions of this Order.

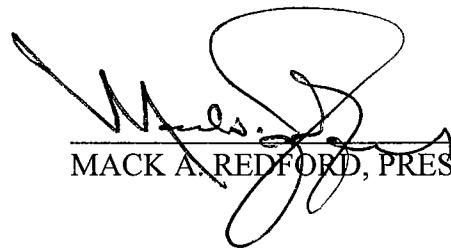
IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, evaluation estimates or determination of costs or any other matter which may come before the Commission

pursuant to its jurisdiction and authority as provided by law. For ratemaking purposes, the Commission shall reserve judgment on the reasonableness of the Company's capital investments, allocation of costs to states, and any associated expenses incurred for any or all of the loan agreement and promissory note.

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

THIS IS A FINAL ORDER. Any person interested in the Order (or in issues decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order and in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code §§ 61-626 and 62-619.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 8th day of November 2007.

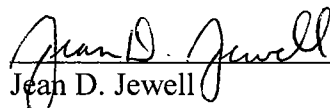


MACK A. REDFORD, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

JIM KEMPTON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

b1s/O:MID-T-07-01_dh