

## DECISION MEMORANDUM

**TO: COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: TERRI CARLOCK/CAROLEE HALL**

**DATE: NOVEMBER 2, 2007**

**RE: MIDVALE TELEPHONE EXCHANGE, INC.'S REQUEST TO  
BORROW UP TO \$12,145,000; CASE NO. MID-T-07-1.**

On October 15, 2007, Midvale Telephone Exchange, Incorporated ("Midvale") filed an Application requesting authority to borrow up to \$12,145,000 from Rural Utilities Service ("RUS"). *Idaho Code*, Chapter 9 "Issuance of Securities", requires this Application. The required fees have been paid.

The proposed loan proceeds will be used to pay for, and partially reimburse general funds to: 1) extend service to new customers; 2) provide for switch and software upgrades; 3) central office equipment upgrades; 4) make system improvements including replacement of an existing analog microwave system with fiber; 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 RUS loan.

The \$12,145,000 loan qualifies for the 5% hardship interest rate with a September 2026 maturity date. Of the \$12,145,000 loan, \$1.4 million will be used for central office equipment including switches and centralized voice mail system, microwave facilities and toll fiber connections to serve Idaho customers. The remaining dollars will be used for its out-of-state infrastructure and customers primarily in Arizona. Plant in the respective states will be used as collateral for the loan.

Staff recommends approval of the loan request. To monitor any loan covenant requirements, Staff also recommends adopting the following reporting requirements:

- 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".

### **COMMISSION DECISION**

Should the Application be approved with Staff's recommended reporting requirements?

  
\_\_\_\_\_  
Terri Carlock

i:\udmemos/midt07.ltc and ch