

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
 COMMISSIONER SMITH
 COMMISSIONER HANSEN
 COMMISSION SECRETARY
 COMMISSION STAFF
 LEGAL
 WORKING FILE**

**FROM: TERRI CARLOCK
 DOUG COOLEY**

DATE: AUGUST 13, 2004

**RE: THE APPLICATION OF RURAL TELEPHONE COMPANY FOR
 AUTHORITY TO BORROW FROM THE RURAL UTILITY SERVICE
 NOT MORE THAN \$17,500,000; CASE NO. RUR-T-04-1**

Rural Telephone Company (Rural) requests authority to borrow not more than \$17,500,000 from the Rural Utility Service (RUS). Staff has reviewed Rural's Application and believes the loan will be used primarily for new growth and upgrades to existing telephone service through 2008. Of the proposed \$17,425,104 loan, approximately \$10,649,067 will be used in Nevada. The remaining \$6,776,037 will be used in Idaho. Specifically, Rural's Application states that the loan proceeds are directed for projects such as a new central office switch and building in the Boise River exchange, replacing copper with fiber optic cable in the Atlanta exchange, placing fiber from the Prairie central office to the Boise River central office, placing fiber and supporting power in the Shoup exchange, and placing fiber optic cable from the Three Creek exchange to a connection point with Filer Mutual at Rogerson, Idaho. Rural's Application also states that the Company will be increasing capacity for the coming ten years of projected growth and designs new copper loops to be non-loaded and shorter than 18,000 feet.

It appears that the Idaho portion of the loan proceeds will be used primarily for providing regulated services. However, because equipment such as fiber optic cable and digital switching electronics can be used for a variety of services, it is difficult to determine what other services may be provided over such equipment and at what levels without specific review or studies.

A portion of the loan may qualify as a hardship loan with the interest rate of 5%. The remainder of the loan will be at the current market rate when the advances are made. The capital structure for Rural Telephone Company at December 31, 2003 consists of 48.6% debt and 51.4% equity. Unless additional equity is contributed, the capital structure with the full loan advances of \$17,500,000 will consist of approximately 78.7% debt and 21.3% equity. On a system basis, these plant improvements will double the total plant in service.

STAFF RECOMMENDATION

Staff recommends that the Commission approve the RUS loan request of \$17,500,000. Staff also recommends that Rural provide copies of the RUS advance documents and all RUS compliance reports and calculations.

COMMISSION DECISION

Does the Commission approve the requested RUS loan authority of \$17,500,000?

Does the Commission adopted Staff's recommended reporting requirement?



Terri Carlock

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