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

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| IN THE MATTER OF THE APPLICATION OF RURAL TELEPHONE COMPANY FOR AUTHORITY TO GUARANTEE PEND OREILLE TELEPHONE COMPANY’S LOAN IN THE AMOUNT OF $5,650,000. | )))))) | CASE NO. RUR-T-96-1ORDER NO.  26410 |

On February 27, 1996, Rural Telephone Company (Rural) filed an Application with the Commission requesting authority to guarantee Pend Oreille Telephone Company’s loan in the amount of $5,650,000 from the National Bank of Cooperatives (CoBank).  Rural is a certified telephone corporation organized under the laws of the state of Idaho providing telecommunication services including local exchange service in the central, western and southern parts of the state.  Pend Oreille Telephone Company is a wholly-owned subsidiary of Rural formed to acquire and operate telephone plant in the state of Washington.  Currently, the exchanges to be purchased from GTE Northwest Incorporated and operated by Pend Oreille Telephone include Ione, Metalline Falls and Cusick.

The proposed loan to Pend Oreille Telephone Company from CoBank will carry an interest rate of approximately 7.25% to 7.5% per annum.  The loan is for a term of 15 years and will be secured by a mortgage note or similar security instrument on the property in the exchanges.  Rural will guarantee the underlying mortgage or other security.

Rural has paid the fees required by Idaho Code § 61-905.

CONCLUSIONS OF LAW

Rural Telephone Company is a telecommunications corporation within the definition of  Idaho Code § 61-121 and is 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).

After examining Rural’s Application and supporting documents and being fully advised in the premises, the Commission finds that a hearing in this matter is not required and that the proposed transaction is not adverse to the public interest.

The general purposes to which the loan proceeds will be put are lawful purposes under the public utilities laws of the state of Idaho and are not adverse to the public interest.

The issuance of an Order authorizing Rural to guarantee the loan of Pend Oreille does not constitute Commission approval or determination of the type of financing or any relating costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

The Application should be approved.

O R D E R

IT IS THEREFORE ORDERED that the Application of Rural Telephone Company for authority to guarantee the loan of Pend Oreille Telephone Company with CoBank in the amount of $5,650,000 is hereby granted.

IT IS FURTHER ORDERED that Rural file verified copies of any final loan documents entered into in connection with the guarantee of debt pursuant to this Order

IT IS FURTHER ORDERED that nothing in this Order and no provision of Chapter 9, Title 61, Idaho Code or any act or 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 authorization is without prejudice to the regulatory authority of this Commission with respect to rates, services, accounts, valuation, estimates, determination of costs, or any other matters that may come before this Commission pursuant to this jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Rural’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 April 1996.

                                                                                                                                       RALPH NELSON, PRESIDENT

                                                                                            MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Myrna J. Walters

Commission Secretary

vld/O:RUR-T-96-1.tc

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

April 16, 1996