

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF SILVER STAR)	
TELEPHONE COMPANY, INC.'S)	CASE NO. SIL-T-14-01
APPLICATION FOR AUTHORITY TO)	
EXECUTE GUARANTY IN FAVOR OF)	
THE RURAL TELEPHONE FINANCE)	ORDER NO. 33193
COOPERATIVE)	

On November 12, 2014, Silver Star Telephone Company, Inc. (the “Company”) applied for authority to execute an unsecured guaranty in favor of the Rural Telephone Finance Cooperative (“RTFC”) that guarantees the Company’s parent company, Horizon Communications, Inc. (“Horizon”), will repay RTFC’s \$2,222,222 loan to Horizon. Based on our review of the record, we issue this Order approving the Application as noted below.

THE APPLICATION

In its Application, the Company states that it is a Wyoming corporation that provides telecommunications services, including local exchange service, in Idaho and Wyoming. With this Application, the Company seeks authority to execute an unsecured guaranty of debt payments up to a loan value of \$2,222,222 with the RTFC. The Company explains that its parent company, Horizon Communications, Inc. (“Horizon”), intends to borrow the money from RTFC, execute a secured promissory note in RTFC’s favor, and repay RTFC for the loan in quarterly installments. The loan will have an eight-year term with interest initially set at a variable rate with the option to convert to a fixed rate. The loan may be prepaid and may or may not have a prepayment fee or make-whole premium depending on whether the loan is at a fixed or variable rate.

The Company explains that its sister company, Gold Star Communications, LLC (“Gold Star”), is also wholly owned by Horizon. Gold Star provides cellular services to customers in southeast Idaho and southwest Wyoming, and the RTFC loan will be used to install nine new cell towers and related facilities that would improve and extend cellular coverage to Gold Star’s customers. The Company notes that its facilities will be used to provide connectivity for calls, and that Gold Star will compensate the Company for this service. Horizon will also use some of the loan to buy subordinated capital certificates in RTFC.

The Company explains that RTFC is requiring Gold Star and Horizon to pledge collateral as security for RTFC's loan to Horizon. And because the Company is the borrower on some existing loans from RTFC and is affiliated with Horizon, RTFC also is requiring the Company to guarantee RTFC's loan to Horizon.

The Company notes that it has paid all Application fees required by *Idaho Code* § 61-905.

STAFF REVIEW

As with other debt-authority requests, Staff continues to express concern about using regulated operations to secure non-regulated activities. These activities increase the risk for a regulated company at least initially. In this case, however, with separation of operations in the affiliated companies and the limited eight-year term, Staff believes the risk to the Company's regulated customers is minimal, and that it will be easier for Staff to verify that the Company does not include these non-regulated costs in regulated rates.

Staff believes the Company's regulated customers can be adequately insulated from any negative consequences related to the guaranty. Staff notes that the Company says the unsecured guaranty will not further encumber the Company's assets or affect its revenue requirement for regulated operations. Further, Staff reviewed the Company's Annual Reports and the 2014 mid-year financial statements for the Company, Horizon and Gold Star, and believes that these financial statements and the loan covenants show that the Company's regulated customers will be adequately protected if Horizon or Gold Star defaults. Specifically, Staff believes: (1) cash and cash equivalent items are currently adequate to make the payments; (2) the equity ratio is adequate to absorb a hit to retained earnings and prevent an increase in the overall cost of capital for regulated operations; (3) dividends and other cash distributions to Horizon are currently adequate to make the payments; and (4) increases in management fees, shareholder dividends and other cash outlays will be stopped if the loan covenant ratios are not met.

For the above reasons, Staff recommended the Commission approve the Company's request for authority to execute the unsecured guaranty in RTFC's favor. Staff also recommended the Commission require the Company to provide copies of the following information to better enable Staff to monitor the loan covenant requirements: (1) the RTFC final loan documents, approvals and advances; (2) any executed collateral documentation and security

agreements; and (3) all annual certification, covenant reports, and letters regarding these determinations.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission finds that the Company is a Wyoming corporation that does business in Idaho. The Company is a telephone corporation as defined in *Idaho Code* § 61-121, and a public utility within the definition of *Idaho Code* § 61-129. The Commission has jurisdiction over this Application under *Idaho Code* § 61-901, *et seq.*

The Commission finds that the Company's Application should be approved. The Company's Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure (IDAPA 31.01.01.141-150), and the Company has paid all fees required by *Idaho Code* § 61-905. Further, the proposed issuance is for a lawful purpose, is within the Company's corporate powers, and is compatible with the public interest.

The Commission's approval of the issuance is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order. The issuance of an Order authorizing the proposed issuance does not constitute agency determination or approval of the type of financing or the related costs for ratemaking purposes. The Commission does not have before it for determination in this case and therefore does not determine the effect of issuance on rates to be charged by the Company for electric service to consumers in the State of Idaho.

ORDER

IT IS HEREBY ORDERED that the Company's Application is approved. As requested in the Application, the Company is authorized to execute an unsecured guaranty in favor of the RTFC that guarantees the Company's parent company, Horizon, will repay RTFC's \$2,222,222 loan to Horizon.

IT IS FURTHER ORDERED that the Company will enable Staff to monitor the loan covenant requirements by filing copies of: (1) the RTFC final loan documents, approvals and advances; (2) any executed collateral documentation and security agreements; and (3) all annual certification, covenant reports, and letters regarding these determinations.

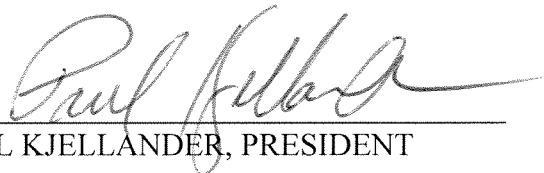
IT IS FURTHER ORDERED that the issuance of this Order does not constitute acceptance of the Company's exhibits or other material accompanying this Application for any purpose other than the issuance of this order.

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 security authorized, issued, assumed or guaranteed under the provisions of this order.


IT IS FURTHER ORDERED that this authorization is without prejudice to the Commission's regulatory authority regarding 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.

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 16th day of December 2014.



PAUL KJELLANDER, PRESIDENT




MACK A. REDFORD, COMMISSIONER



MARSHA H. SMITH, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

O:SIL-T-14-01_kk