DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

TONYA CLARK

DON HOWELL

STEPHANIE MILLER

DAVID SCHUNKE

SUSAN HAMLIN

GARY RICHARDSON

WORKING FILE

FROM:TERRI CARLOCK

DATE:FEBRUARY 9, 1996

RE:SILVER STAR TELEPHONE COMPANY’S APPLICATION TO BORROW $2,225,050, CASE NO.  SIL-T-96-1

RECOMMENDATION: APPROVAL

Silver Star Telephone Company requests authority to execute Loan Agreements with the Rural Utilities Service (RUS) in the amount of $1,405,000 and with the Rural Telephone Bank (RTB) in the amount of $820,050.  The total loan amount of $2,225,050 will be used to extend service to previously unserved customers (normal growth and BETRS), to pay for central office upgrades in Wayan and Alpine and make outside plant upgrades in Idaho and Wyoming.  The majority of expenditures have already been incurred and in service.  The loans will reimburse the treasury for the expenditures while making additional equity available for new expenditures.  The loans have been in process for 2 to 3 years due to a delay related to the rural zone charge versus flat rate charge discussion in Wyoming.  The expenditures are made up of the following:

|  |  |  |
| --- | --- | --- |
| Central Office |  | $   949,000 |
| Outside Plant and Station      Equipment |  |  1,037,000 |
| Engineering |  |     200,000 |
| Class B Stock - Telephone Bank |  |        39,050 |
|      Total |  | $2,225,050 |

The proposed loans will be for a term of 14 years at an estimated rate of 6.63% per annum.

If the full amount of the debt were to be issued, the capital structure (annual report amount adjusted for issuance) would consist of 33% equity and 68% debt.

STAFF RECOMMENDATION

I recommend approval of the proposed RUS and RTB loans.  The loans will provide cash as reimbursement for expenditures incurred as outlined above.  These loans are not associated with the Purchase Agreement with U S WEST for exchanges.  However, the equity previously used would now be available to invest in new plant.

COMMISSION DECISION

Should the application be approved as requested?

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tc\silt961Terri Carlock