DECISION MEMORANDUM

TO:COMMISSIONER HANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

MYRNA WALTERS

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

SUSAN HAMLIN

DAVID SCOTT

TONYA CLARK

BEV BARKER

WORKING FILE

FROM:TERRI CARLOCK

DATE:MAY 6, 1997

RE:COLUMBINE TELEPHONE COMPANY, INC. AND SILVER STAR TELEPHONE COMPANY FINANCING FOR EXCHANGE PURCHASE FROM U S WEST, CASE NO. SIL-T-97-2.

RECOMMEND: APPROVAL

Columbine Telephone Company, Inc. (Columbine) and Silver Star Telephone Company (Silver Star) collectively  have filed supplemental information related to the financing for the purchase of the U S WEST areas of Victor, Driggs and Tetonia, Idaho.  IPUC Order No. 26353 authorized the purchase.  The requested authority is for two Rural Telephone Finance Cooperative (RTFC) loans with specific covenants.

The term sheet for Columbine Telephone Company, Inc. and Silver Star Telephone Company collectively is attached showing RTFC as the lender, loan amounts, construction loan, annual equity contributions, interest rate options and other covenants.  The maturity for the loan would be 15 years with the interest rate fixed or variable and to be determined at the time of closing.  Currently the fixed rate is approximately 8.75% and the variable rate is approximately 6.75%.  Silver Star is required to make annual equity contributions to Columbine of $300,000 on or before May 15, 1998 and on or before May 15, 1999.  These contributions will no longer be required when Columbine achieves and maintains a minimum net worth of 40%.  The other covenants include minimum debt service coverage ratios, minimum Times Interest Earned Ratios, dividend and cash distribution limitations, and for Columbine to begin collecting federal USF prior to December 31, 1999.

STAFF RECOMMENDATION

Staff recommends approval of the proposed loans to purchase the exchanges.  Staff also recommends that the covenant calculations and required RTFC certification also be filed with the Staff.

COMMISSION DECISION

Should the loan authority be approved for the purchase of the exchanges?

Should the covenant calculations and required RTFC certification be filed with the Staff?

Terri Carlock

TC:udmemos/sil972.dm