

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
CAMBRIDGE TELEPHONE COMPANY FOR) **CASE NO. CAM-T-03-2**
AUTHORITY TO BORROW UP TO \$17,500,000)
FROM THE RURAL UTILITIES SERVICE AND)
THE RURAL TELEPHONE BANK.) **ORDER NO. 29399**
)

On November 12, 2003, Cambridge Telephone Company filed an Application requesting authority to borrow up to \$17.5 million from the Rural Utilities Service (RUS) and the Rural Telephone Bank (RTB). The proposed financing is to be structured with three loans: (1) RUS loan of \$7,500,000 that qualifies for the 5% hardship interest rate with 15-year loan maturity; (2) RUS loan of \$6,096,000; and (3) RTB loan of \$3,547,950. The interest rate on the latter two loans will be at the respective lender's then current market rate at the time dispersals on the loans are made. The loans will be secured by a first mortgage lien on Cambridge's assets under a "Supplemental Mortgage and Security Agreement." The loan contracts will have two covenants requirements. First, any future investment by Cambridge in CTC Telecom must receive approval from RUS. Second, a times-interest-earned ratio (TIER) of 1.0 must be maintained through December 31, 2006 with a TIER of 1.45 after that date.

According to the Application, proceeds of the loan will be utilized for several purposes. The loans will be used to: implement a long-range network strategy to upgrade Cambridge's infrastructure by replacing central offices and adding digital subscriber line (DSL) capacity to provide broadband services; install new fiber optic and buried cable; purchase new work trucks and test equipment; retire certain existing loans; and for related system improvements.

STAFF REVIEW

Staff recommended approval of the increased borrowing. However, Staff expressed concern regarding the use of regulated assets and revenues to secure non-regulated activities. Based upon the representations in the Application, Staff noted that a portion of the loan funds will be used to provide non-regulated broadband services, e.g., DSL. Staff asserted that any

ratebase or expense adjustments or allocations associated with non-regulated costs should occur in future rate cases.

To monitor the loans, Staff recommended adopting the following reporting requirements:

1. Provide copies of the RUS and RTB final loan approvals including documentation for advances;
2. Provide a copy of executed collateral documentations;
3. Provide copies of all annual certification, covenant reports, and letters regarding these determinations;
4. Provide the "Report of Securities Issued."

DISCUSSION AND FINDINGS OF FACT

Cambridge Telephone Company is a telephone corporation within the definition of *Idaho Code* § 61-121 and is a public utility in 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.*

After examining the Application and Staff's comments, the Commission finds that an evidentiary hearing in this matter is not required. The Commission further finds that the proposed transaction is consistent with the public interest and Cambridge's proper performance of its duties as a public utility.

The Commission finds that the general purposes to which the loan funds will be utilized are lawful purposes under the public utilities law and are compatible with the public interest. However, this approval of the general purposes to which the funds will be put to use is neither a finding of fact nor a conclusion of law that any particular project, program or future cost recovery is authorized. Approval of this Order shall not be construed to approve any particular use of the funds which Cambridge may benefit by the approval of this Order.

The Commission further finds that the issuance of an Order authorizing the borrowing of funds up to \$17.5 million does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission expressly reserves the ratemaking implication from these loans until an appropriate future proceeding.

The Commission's approval of this Application is conditioned upon Cambridge satisfying the four reporting requirements recommended by the Staff. Cambridge is reminded that compliance with reporting requirements does not guarantee that the cost of the loans or the use of such funds will be automatically recovered in the next rate case. To the extent that these loan funds are used for non-regulated services, any adjustment associated with non-regulated costs will occur in a future rate case.

Cambridge has paid the fee required by *Idaho Code* § 61-905.

ORDER

IT IS THEREFORE ORDERED that Cambridge Telephone Company's Application is granted as conditioned above.

IT IS FURTHER ORDERED that Cambridge may execute the loan documents with the Rural Utility Service and Rural Telephone Bank.

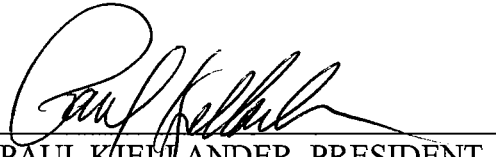
IT IS FURTHER ORDERED that this authorization to borrow not more than \$17,500,000 is without prejudice to the regulatory authority of this Commission with respect to rates, services, accounts, evaluations, estimates, or determination of costs, or the allocation of costs between regulated and non-regulated activities, or any other matter that may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of *Idaho Code* Title 61, Chapter 9, 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 funds authorized by the Commission.

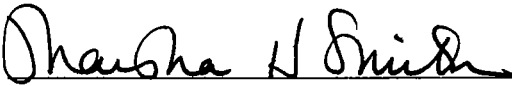
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Cambridge's exhibits or other material accompanying the Application for any purpose other than issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. CAM-T-03-2 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 or in interlocutory Orders previously issued in this Case No. CAM-T-03-2. 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 10th
day of December 2003.



PAUL KJELLANDER, PRESIDENT

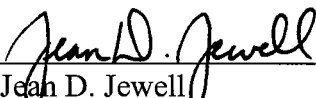


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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