

## DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER RAPER  
COMMISSIONER ANDERSON  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: TERRI CARLOCK**

**DATE: JANUARY 12, 2017**

**RE: MIDVALE TELEPHONE COMPANY'S REQUEST TO BORROW UP TO  
\$12,691,000; CASE NO. MID-T-16-01.**

On December 21, 2016, Midvale Telephone Company, Inc. (Midvale), filed an Application for authority to borrow up to \$12,691,000 from the Rural Utilities Service (RUS). RUS has provided an offering letter to loan the funds to Midvale at the Cost-of-Money rate for nineteen (19) years. The actual interest rate will be set at the time each advance is made to Midvale. The rate will be based on the average yield on outstanding marketable obligations of the United States with a comparable maturity, but not to exceed 7 percent per year.

The purpose of the loan is to pay for and partially reimburse for the installation of new plant and to provide upgrades in Idaho and Arizona. These include: (1) extend services to approximately 368 new customers; (2) provide for router and switch upgrades to handle broadband traffic growth; (3) allow Midvale to provide faster broadband speeds in each of its eleven exchanges; (4) provide fiber to the home ("FTTH") in several areas and extend fiber for toll and broadband Ethernet transport facilities to provide larger pipes and redundant paths; (5) build approximately 49.59 miles of new toll fiber, 83.61 mile of local fiber, and 17.56 miles of drops; (6) serve two new FTTH Carrier Service Areas ("CSA") and one new CSA for copper DSL; and (7) replace six existing CSAs without Ethernet capabilities. The total new Optical Network Terminals ("ONT") for FTTH are 309 and four Digital Subscriber Line Access Multiplexers ("DSLAM") with 192 lines.

The loan documents reflect typical language and conditions. This includes the loan agreement, terms, conditions, covenants, promissory note, restated mortgage, security agreement and financing statement. Plant in the respective states will be used as collateral for the loans.

Plant expenditures in Idaho including network costs, construction equipment, and engineering is expected to be \$7,103,921.

#### **STAFF RECOMMENDATION**

Staff recommends the Commission grant the requested Midvale debt authority for the nineteen-year secured loan with RUS of \$12,691,000. To monitor any loan covenant requirements, Staff also recommends adopting the following reporting requirements:

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

#### **COMMISSION DECISION**

Should the Application be approved with Staff's recommended reporting requirements?

*Terri Carlock*

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Terri Carlock

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