

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY**

June 7, 2000

CASE NO: TF-2000-428

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Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Le-Ru)
Telephone Company for Authority to Borrow an)
Amount Not to Exceed \$9,164,700 from the Rural)
Utilities Service, the Rural Telephone Bank and)
the Federal Financing Bank and in Connection)
therewith to Execute an Amending Telephone Loan)
Contract Amendment, Promissory Notes, and a)
Restated Mortgage, Security Agreement and)
Financing Statement.)

Case No. TF-2000-428

ORDER DIRECTING FILING AND SCHEDULING HEARING

On January 18, 2000, Le-Ru Telephone Company (Le-Ru or Company) filed an application with the Commission requesting authority under Section 392.310, RSMo 1994, and 4 CSR 240-2.060 to borrow certain sums, not to exceed \$9,164,700, from the Rural Utilities Service, the Rural Telephone Bank, and the Federal Financing Bank in order to fund capital improvements and to finance its operating needs.

On May 16, 2000, the Staff of the Missouri Public Service Commission (Staff) filed a recommendation. Staff recommended that the Commission authorize Le-Ru to borrow only up to \$7,800,606 and that certain conditions be met.

Based on the pro forma financial statements filed with the application, Staff indicated that the capital structure proposed by the Company would be 25.56 percent equity and 74.44 percent long-term debt. Staff stated that these ratios would be compatible with a company of very

poor credit quality. In addition the Staff stated a concern that Le-Ru's cash flow ratios would be diminished as a result of the proposed financing.

Staff reviewed and discussed its concerns with Le-Ru and as a result, Staff states Le-Ru agreed as follows:

1. To reduce the loan amount requested to \$7,800,606.
2. To limit dividends to the amount required for payment of taxes until such time as the equity ratio reaches 40 percent.
3. To use cash and cash equivalent working capital to pay down long-term debt no later than December 31, 2007, to reach an equity ratio of 40 percent.
4. To file semiannual surveillance reports beginning January 1, 2003, and ending December 31, 2007, or when the Company's equity ratio reaches 40 percent.

The Commission has determined that, prior to taking action on the application and Staff's recommendation, it desires a greater understanding of Le-Ru's financial condition and the efforts and plans to improve that condition. The Commission will direct the filing of certain information. In addition, a hearing would provide an appropriate means for the Commission to obtain additional information from Le-Ru and Staff prior to acting on the application.

Specifically, Staff will be directed to file copies of Le-Ru's last five annual reports with the last year ending December 31, 1999, so that this information will be on record in this case and available to the Commission. Staff shall also prepare and file one or more exhibits showing the capital structure of Le-Ru for each of the last five years; the amount

of dividends paid for each of the last five years; the income taxes generated by the operations of the Company and the total income tax liability to be paid at the shareholder level for each of the last five years. If Le-Ru has any objections to filing the annual reports or to any exhibits, it shall file its objections in writing prior to the hearing.

Staff shall be prepared to explain and support its recommendation and suggested conditions at the hearing. Staff and Le-Ru shall be prepared to present and address any benefits, detriments, issues or obstacles to achieving an equity ratio of 40 percent within two years, three years, four years, and five years of this proposed financing. Both Staff and Le-Ru should be prepared to address whether the Commission should order equity investments to achieve the desired equity ratio of 40 percent. Also, Staff and Le-Ru shall present specific equity ratio targets for each year of any proposed time frame to demonstrate progress toward the agreed equity ratio. Staff and Le-Ru shall be prepared to explain why semiannual surveillance reports are not required prior to January 1, 2003.

To facilitate the hearing for this matter and to avoid surprise, the Staff and Le-Ru may file suggestions stating and supporting any position either may choose to advocate at the hearing, whether previously agreed or as an alternative to any proposed agreement.

IT IS THEREFORE ORDERED:

1. That a hearing shall be held in this matter on July 7, 2000, beginning at 9:00 a.m.
2. That the annual reports and exhibits directed to be filed in this order shall be filed no later than June 23, 2000.

3. That any objections to filing the annual reports or to any exhibits directed to be filed this order shall be filed in writing no later than June 30, 2000.

4. That the hearing will be held in the Commission's hearing room on the fifth floor of the Harry S Truman State Office Building, 301 West High Street, Jefferson City, Missouri. Any person with special needs as addressed by the Americans With Disabilities Act should contact the Missouri Public Service Commission at least five (5) days prior to the hearing at one of the following numbers: Consumer Services Hotline - 1-800-392-4211, or TDD Hotline - 1-800-829-7541.

5. That this order shall become effective on June 20, 2000.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Keith Thornburg, Regulatory Law
Judge, by delegation of authority
pursuant to 4 CSR 240-2.120(1),
(November 30, 1995) and
Section 386.240, RSMo 1994.

Dated at Jefferson City, Missouri,
on this 7th day of June, 2000.

FYI: To Be Issued By Delegation

AL/Sec'y: Thornburg / Payne

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Date Circulated

6-8

Return by 3pm.

10am

TF-2000-428
CASE NO.

[Signature]
Lumpke, Chair

[Signature]
Drainer, Vice Chair

[Signature]
Murray, Commissioner

[Signature]
Schemenauer, Commissioner

[Signature]
Sinnott, Commissioner

**STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION**

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 7th day of June 2000.

[Signature: Dale Hardy Roberts]

**Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge**

