BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Alma Communications Company, doing business as Alma Telephone Company, for Authority and Approval to Issue a Note, Loan Agreement, Mortgage, Security Agreement, and Financing Statement to Borrow Funds from the Rural Utility Services of the United States of America, for Interim Financing, and for Section 392.280.2, RSMo (HB 360) Accounting Authority Orders.	)	Case No. TU-2005-0358

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and respectfully states as follows:

1. On April 8, 2005, Alma Communications Company d/b/a Alma Telephone Company (Alma) filed an Application with the Missouri Public Service Commission (Commission) seeking authority to borrow funds, to pledge its system assets as security for the loan, to book depreciation expense in excess of minimum rates, and to book amortization of unrealized depreciation.

2. On April 12, 2005, the Commission issued its Order Adopting Protective Order and Directing Filing. In this Order, the Commission directed Staff to file its Memorandum and Recommendation by 4 p.m. on May 13, 2005.

3. On May 13, 2005, Staff filed a Motion for Extension of Time to File Memorandum and Recommendation until May 18, 2005 at noon.

4. Alma's Application was filed pursuant to Sections 392.290-.310 RSMo 2000. The standard of review is not detrimental to the public interest. See *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,* 9 Mo. P.S.C. 3d 229, 231 (August 15, 2000).

5. Pursuant to Section 392.280.2 RSMo, a telecommunications company may request the Commission to authorize minimum depreciation rates in lieu of fixed rates, and to record depreciation expense in excess of such minimum rates. In a rate increase case, the depreciation expense will be calculated on the basis of the minimum depreciation rates but the depreciation reserve levels will be calculated on the basis of the recorded depreciation expenses.

6. Staff has reviewed the Application, consulted with Alma, conducted discovery and analyzed the matter. As a result of that process, Staff prepared its Memorandum and Recommendation attached hereto as Appendix A. Staff opines that the transaction is not detrimental to the public interest and recommends approval of the Application subject to the two conditions set out in Appendix A.

WHEREFORE, Staff recommends approval of the Application subject to the conditions set out in Appendix A.

Respectfully submitted,

DANA K. JOYCE
General Counsel

/s/ Robert V. Franson

Robert V. Franson
Senior Counsel
Missouri Bar No. 34643

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-6651 (Telephone)
(573) 751-9285 (Fax)
email: robert.franson@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 18th day of May 2005.

/s/ Robert V. Franson

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. TU-2005-0358, Alma Telephone Company

FROM: Matt Barnes, Regulatory Auditor II- Financial Analysis Department
Guy Gilbert, Regulatory Engineer II - Engineering & Management Services
Larry Henderson, Technical Specialist II - Telecommunications Department

/s/ Matt Barnes 05/18/05	/s/ William K. Haas 05/18/05
Project Coordinator / Date	General Counsel's Office / Date

SUBJECT: Staff Recommendation for Approval to Issue a Note and Enter into a Loan Agreement, Mortgage, Security Agreement and Financing Statement.

DATE: May 18, 2005

1. (a) **Type of Issue:** Loan Agreement, Mortgage, Security Agreement and Financing Statement

(b) **Amount:** Up to $5,579,000

(c) **Rate:** According to the Loan Agreement dated January 21, 2005, Section 3.1(b): "The portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the Cost-of-Money Interest Rate determined by the Government pursuant to 7 U.S.C. 935(d)(2)(A) of the Act and its implementing regulations, as amended from time to time (7 C.F.R. 1735.31(c)) and the portion of the Telecommunications Loan specified in Schedule 1 hereto will bear interest at the rate of five percent (5.00%) per annum."

(d) **Other Provisions:** Section 5.12 of the Loan Agreement states, "From the date of this Agreement until the date specified in Schedule 1, the Borrower will maintain a Times Interest Earned Ratio (TIER) of at least 1.0. Thereafter, starting on the date specified in Schedule 1 (hereinafter called the "TIER Commencement Date") the Borrower shall maintain the TIER level(s) as specified in Schedule 1."

(e) **Schedule 1:** Article V Affirmative Covenants

3. Section 5.12, TIER: 1.50
4. Section 5.12, TIER Commencement Date: December 31, 2008

2. **Proposed Date of Transaction:** As soon as Commission approval is granted.

(a) **Statement of Purpose of the Issue:** The general terms and conditions to be contained in the note and loan agreement provide for a loan in a total amount up to $5,579,000 with a repayment term and interest rate as set forth in the attached loan agreement. The construction schedule calls for the switch to be installed in, and construction of the fiber to the home facilities in 2005 and 2006. The loan schedule calls for an initial loan draw down amount of $1,925,000 in 2005 and a subsequent loan draw down amount of $2,600,000 in 2006. There will also be a need for initial temporary or interim financing until receipt of the initial Rural Utility Service (RUS) loan draw down amount.

(b) **From a financial perspective, does Staff deem this purpose reasonable?**
Yes _X_ No

3. **Type of Transaction:** The Applicant proposes to borrow certain sums, not to exceed $5,579,000 from the RUS in order to fund capital improvements.

4. **Copies of executed instruments defining terms of the proposed securities:**

___ (a) If such instruments have been previously filed with the Commission, a reference to the Case Number in which the instruments were furnished.
_X_ (b) If such instruments have not been executed at the time of filing, a statement of the general terms and conditions to be contained in the instruments which are proposed to be executed.
___ (c) If no such instruments are either executed or to be executed, a statement of how the securities are to be sold.

5. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**
Yes _X_ No

6. **Pro-forma Balance Sheet, Cash Flow and Income Statement reviewed:**
Yes _X_ No

7. **Capital expenditure schedule reviewed:**
Yes _X_ No

8. **Journal entries are required to be filed by the Company to allow for the Fee Schedule to be applied:**
Yes _X_ No

9. **Recommendation of the Staff:**
_X_ Grant by session order (see Comments)
____ Conditional Approval granted pending receipt of definite terms of issuance (see Comments)
____ Require additional and/or revised data before approval can be granted (see

Comments)
____ Formal hearing required (see Comments)
____ Recommend dismissal (see Comments)

COMMENTS:

Alma Communications Company d/b/a Alma Telephone Company provides basic local and exchange access telecommunications services. Alma Telephone Company is a small rural telephone company providing service to approximately 350 customers in a relatively small area north of Concordia, in and about the town of Alma. Alma Telephone Company's last construction project wherein subscriber lines and plant were comprehensively upgraded was in approximately 1972. That plant is fully used, near fully consumed, and is in need of replacement with more modern plant. The Company is seeking authority to amortize certain amounts for certain accounts for which depreciation has not yet been fully accrued. The Company has filed an Application with the Missouri Public Service Commission (Commission) to obtain approval to execute a Loan Agreement, Mortgage, Security Agreement and Financing Statement in an amount not to exceed $5,579,000.

The Company's Application states:

> Alma currently owns and operates a Mitel switch, a digital switch purchased and installed by Alma in approximately 1992. Mitel has announced it will no longer support this switch with the upgrades necessary to meet certain state and federal regulatory requirements such as Communications Assistance for Law Enforcement Act (CALEA), and local number portability. Alma needs to upgrade its switching facilities in order to be able to continue to provide adequate services to its customers, and improve service, in order to meet the requirements of CALEA. Alma needs to upgrade its switching facilities in order to be able to meet certain regulatory requirements such as local number portability, for which Alma has recently received a suspension from this Commission in order to acquire and install a switch that will be capable of accommodating intermodal local number portability. Alma has determined that the next two years is the most opportune time to replace the Mitel switch with a next generation "softswitch" with IP technology, and replace the subscriber lines and plant with fiber to the home of Alma's customers. Alma has determined that this will provide the best opportunity for its rural customers to have adequate bandwidth in a rural area upon which to receive the maximum amounts and types of voice, data, and video services in the future. In order to acquire a new switch, install new fiber, and pay for the equipment and services necessary, therefore, Alma is in need of a loan.

FINANCIAL ANALYSIS

Total Debt to Total Capital Ratio

This financing will make a significant change in the Company's consolidated capital structure, but the change does not threaten the Company's overall financial integrity for the long-term. The Company's pro forma Total Debt to Total Capital Ratio would move from 0.00 percent to 59.86 percent for 2005 (see Attachment A-2) with the initial loan draw down in 2005. After the subsequent loan draw down in 2006 the Total Debt to Total Capital Ratio will increase to 81.28 percent. For 2007-2009 the Company's Total Debt to Total Capital Ratio will be 82.13 percent, 82.24 percent, and 80.83 percent respectively. Although Alma Telephone will be highly leveraged for at least the next five years, a similar finance case was approved by the Commission in 1998 for Ozark Telephone Company, Case No. TF-98-549, where the company was highly leveraged after obtaining a loan from RUS. As of December 31, 2004, Ozark Telephone Company has reduced its Total Debt to Total Capital Ratio from approximately 80 percent to 48.50 percent debt and increased its Total Equity to Total Capital Ratio from 20 percent to 51.50 percent. In that case, the Commission imposed a condition that the company obtain a Total Equity to Total Capital Ratio of at least 40 percent.

Times Interest Earned Ratio (TIER)

RUS requires Alma Telephone Company to maintain a minimum Times Interest Earned Ratio (TIER) coverage ratio of 1.00 as one of the covenants in the loan agreement until December 31, 2008. As of January 1, 2009, the loan covenants require Alma Telephone Company to maintain a minimum TIER coverage ratio of 1.50. The TIER coverage ratio calculation consists of total net income plus interest on long-term debt payable in such year, divided by interest on long-term debt payable for such year. The historical TIER coverage ratio for the years 1994-2000 for Alma Telephone Company is 4.05 times, 3.97 times, 5.09 times, 7.92 times, 14.23 times, 22.12 times, and 29.47 times respectively (see Attachment B-1 and B-2). During the year 2001, Alma Telephone Company had a TIER coverage ratio of 245.91 times and paid off their debt. During the years 2002-2004 Alma Telephone Company had 100 percent equity. On a pro forma basis for the years 2005-2009, the TIER coverage ratio is -0.54 times, -0.35 times, 0.78 times, 0.89 times, and 1.31 times, respectively (see Attachment B-3 and B-4). RUS projected a TIER coverage ratio of 2.68 times (see Attachment D-1 and D-2) in their analysis as of the end of 2009 compared to Staff's projection of 1.31 times. There is a significant difference between RUS' calculation and Staff's calculation. On approximately April 27, 2005, Staff contacted Jerry Brent, Director, Northern Division of RUS, who approved Alma Telephone Company's loan application to determine why there was such a significant difference in the TIER coverage ratio that RUS calculated versus what Staff calculated. Staff concluded that there were four major differences in assumptions used by RUS compared to those used by the Staff:

1. RUS used actual data as of December 31, 2003, and Staff used actual data as of December 31, 2004;
2. RUS projected Access, Long Distance Network, and Carrier Billing & Collection Revenues based on their own formulas and software used by the agency. Staff used the pro formas provided by Alma Telephone Company;
3. RUS projected depreciation rates using their own formulas and the Staff used projected

depreciation rates based on the rates authorized by the Commission; and

4. RUS assumes Alma Telephone Company will borrow the full amount authorized ($5,579,000) and Staff assumes the company will borrow $4,525,000 based on pro formas provided by the company and amounts indicated in item 10 of the Application.

Staff asked RUS if they would approve the loan based on Staff's negative TIER coverage ratio projections and RUS replied that it would approve such loan even though the projected TIER coverage ratios fall below the 1.00 times requirement in the covenants for 2005 and 2006. RUS also mentioned that the TIER coverage ratio of 2.68 times is based on 2009 year end pro formas.

Debt Service Coverage (DSC)

The DSC ratio is not a requirement as part of the covenants contained in the loan agreement, but Staff believes this ratio provides a more reliable estimate of the amount of cash flow coverage needed to service the principal and interest on the loan. The DSC ratio calculation consists of total net income plus depreciation and amortization expense and interest on long-term debt payable for such year, divided by principal and interest on long-term debt payable in such year, calculated on a consolidated basis. The historical DSC ratios for the years 1994-2001 are 1.59 times, 2.17 times, 2.25 times, 2.08 times, 2.60 times, 2.66 times, 2.02 times, and 7.36 times respectively. During the years 2002-2004 the company had 100 percent equity (See Attachment C-1 and C-2). The pro forma DSC ratios for the years 2005-2009 are 1.02 times, 1.56 times, 2.07 times, 1.83 times, and 1.79 times respectively (see Attachment C-3 and C-4). RUS calculated a projected DSC ratio of 2.02 times for 2009 year end (see Attachment D-1 and D-2). Again, the difference between Staff and RUS calculations are mainly due to the four assumptions mentioned above.

Depreciation

Staff recommends that the Commission authorize amortization of the extraordinary retirement of unrealized depreciation in the amount of $122,396 for the replaced Mitel switch in equal amounts in 2006, 2007, and 2008. Staff further notes that in Telephone Authority Order No. 991 dated November 12, 1993, the Commission granted the Company's request to use a 5.0% annual depreciation rate beginning January 1, 1993. However in the Company's filing Appendix 7, Alma Telephone Company Analysis of Revenue Impacts From Proposed Plant Upgrade Projects And Change In Depreciation Rates Financial Projections For The Years 2005 Through 2009, April 8, 2005, at page 12, the Company indicates that it is using an annual depreciation rate of 4.5% for at least 2004. If this rate has been used in previous years it contributed significantly to the under recovery of the digital switch. The Company is now re-aware of Telephone Authority Order No. 991. The Staff recommends this amortization because the Company failed to book the approved depreciation rate.

Staff recommends that the Commission authorize amortization of the extraordinary retirement of unrealized depreciation in the amount of $15,930 for the replacement of the telephone company building in equal amounts in 2006, 2007 and 2008. The Staff recommends this amortization because the Company last sought to change depreciation rates some twelve years ago following the adoption of a then new technology. Attachment F indicates that Staff has recognized that the majority of the Company's accounts should have increased depreciation accruals.

Staff recommends that the Commission authorize amortization of the extraordinary retirement of unrealized depreciation in the amount of $146,074 for the replaced outside plant in equal amounts in 2006, 2007, and 2008. With the exception of a few technical specifications the Company will be 100% fiber to the home upon completion of these upgrade projects. Attachment F indicates that Staff has recognized that the majority of the Company's accounts should have increased depreciation accruals.

The Company has requested that for the year 2005 and subsequent years, to book depreciation rates in excess of those currently ordered. Staff has reviewed utilization of Staff's current Standardized Depreciation Rates for small telephone companies that represents a composite analysis of larger companies with actuarially sufficient data for depreciation analysis. The Company has requested depreciation rates that it believes more appropriately reflect the actual useful life of technology plant and equipment. Staff recommends that the Commission authorize the depreciation rates as sought by the Company in its filing, as presented under the column heading "Rates that will be Booked" in the revised Attachment F for Alma Communications Company, in lieu of the Company's fixed rates which were ordered in Depreciation Authority Order No. 28.2 and Telephone Authority Order No. 991. Section 392.280.2 RSMo 2004, provides that a telecommunications company may request the Commission to authorize minimum depreciation rates in lieu of fixed rates, and to record depreciation expense on the basis of depreciation rates in excess of such minimum rates. The statute provides that in a proceeding to consider a rate increase, depreciation reserve levels based on the recorded depreciation expenses shall be utilized.

Telecommunications Facilities Analysis

Following its review of Alma Telephone Company's proposed plans, the Telecommunications Department Staff has no objections to Alma Telephone Company's proposals. Based on Staff's review, the transaction is not detrimental to the public interest. Staff recommends that the Commission approve Alma Telephone Company's Application for authority to borrow funds to finance construction of projects. Installation of telecommunications equipment is subject to guidelines established by the Commission rules, the National Electric Code (NEC), the National Electric Safety Code (NESC) and Rural Utilities Service (RUS) standards.

STANDARD OF REVIEW

The applicable standard is whether or not this transaction is not detrimental to the public interest. See *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 the in Connection therewith to Execute an Amending Telephone Loan Contract Amendment, Promissory Notes, and a Restated Mortgage, Security Agreement and Financing Statement,* 9 Mo. P.S.C. 3d 229, 231 (August 15, 2000).

Recommendation

Alma Telephone Company has been approved to borrow **up to** $5,579,000 from RUS. Alma Telephone Company, as part of that process, also needs Commission approval. However, Alma

Telephone Company submitted pro formas to Staff indicating they will borrow $4,525,000. Staff's calculations were based on the pro forma financial statements submitted by Alma Telephone Company with its application which only contemplated the anticipated $4,525,000. If Alma Telephone Company had provided pro forma financial statements that contemplated the full amount approved by RUS, then the financial ratios would have been slightly more strained. If Alma Telephone Company needs to borrow more than $4,525,000 from RUS, and because RUS approved Alma Telephone Company for a higher amount, Staff believes further approval from the Commission is not necessary.

In condition 2 below the 38 percent equity ratio and the 3-year average Debt Service Coverage are based on Standard and Poor's Financial Medians for BBB rated Telecommunications Companies (see Attachment E).

Based upon its separate review, Staff recommends that the Commission approve the Application submitted by Alma Telephone Company as not detrimental to the public interest in this case subject to the following conditions:

1. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions and the resulting cost of capital in a later proceeding; and

2. That the Company shall not pay dividends to its shareholders, make investments other than those currently contemplated under this Application or incur additional debt until the Company achieves a 3-year average common equity to total capital ratio of at least 38 percent and a 3-year average Debt Service Coverage ratio of at least 1.50 times.

Alma Telephone Company filed a motion requesting expedited treatment of this Application. The Staff therefore respectfully requests that this matter be placed on the Commission's Agenda as soon as possible.

Attachments:	A-1, A-2	Historical and Pro Forma Capitalization
	B-1 - B-4	Historical and Pro Forma TIER Coverage Ratios and Charts
	C-1 - C-4	Historical and Pro Forma DSC Ratios and Charts
	D-1, D-2	RUS Analysis Faxed to Staff on April 28, 2005
	E	Standard and Poor's Financial Medians for Telecommunications Companies
	F	Depreciation Rates

Alma Telephone Company
TU-2005-0358

Historical Capital Structure

Capital Component	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Common Equity	$1,172,309	$1,432,303	$1,750,876	$2,169,870	$2,762,264	$3,324,357	$3,697,440	$4,089,923	$1,321,781	$1,383,857	$1,372,709
Preferred Stock	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-Term Debt	$1,180,374 *	$1,091,672 *	$976,373 *	$781,655 *	$560,334 *	$338,810 *	$117,082 *	$53,578 *	$0 *	$0 *	$0 *
Short-Term Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$2,352,683	$2,523,975	$2,727,249	$2,951,525	$3,322,598	$3,663,167	$3,814,522	$4,143,501	$1,321,781	$1,383,857	$1,372,709

Capital Structure	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Common Equity	49.83%	56.75%	64.20%	73.52%	83.14%	90.75%	96.93%	98.71%	100.00%	100.00%	100.00%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-Term Debt	50.17%	43.25%	35.80%	26.48%	16.86%	9.25%	3.07%	1.29%	0.00%	0.00%	0.00%
Short-Term Debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Alma Telephone Company's Filed Application Attachment 7 HC and response to Data Request 8 Attachment 2 and 3.

* Includes Current Portion of Long-Term Debt.

Alma Telephone Company
TU-2005-0358

Pro-Forma Capital Structure

Capital Component	2005	2006	2007	2008	2009
Common Equity	$1,291,096	$1,051,415	$996,412	$969,441	$1,042,623
Preferred Stock	$0	$0	$0	$0	$0
Long-Term Debt	$1,925,000	$4,564,743 *	$4,580,922 *	$4,490,653 *	$4,395,293 *
Short-Term Debt	$0	$0	$0	$0	$0
Total	$3,216,096	$5,616,158	$5,577,334	$5,460,094	$5,437,916

Capital Structure	2005	2006	2007	2008	2009
Common Equity	40.14%	18.72%	17.87%	17.76%	19.17%
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%
Long-Term Debt	59.86%	81.28%	82.13%	82.24%	80.83%
Short-Term Debt	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

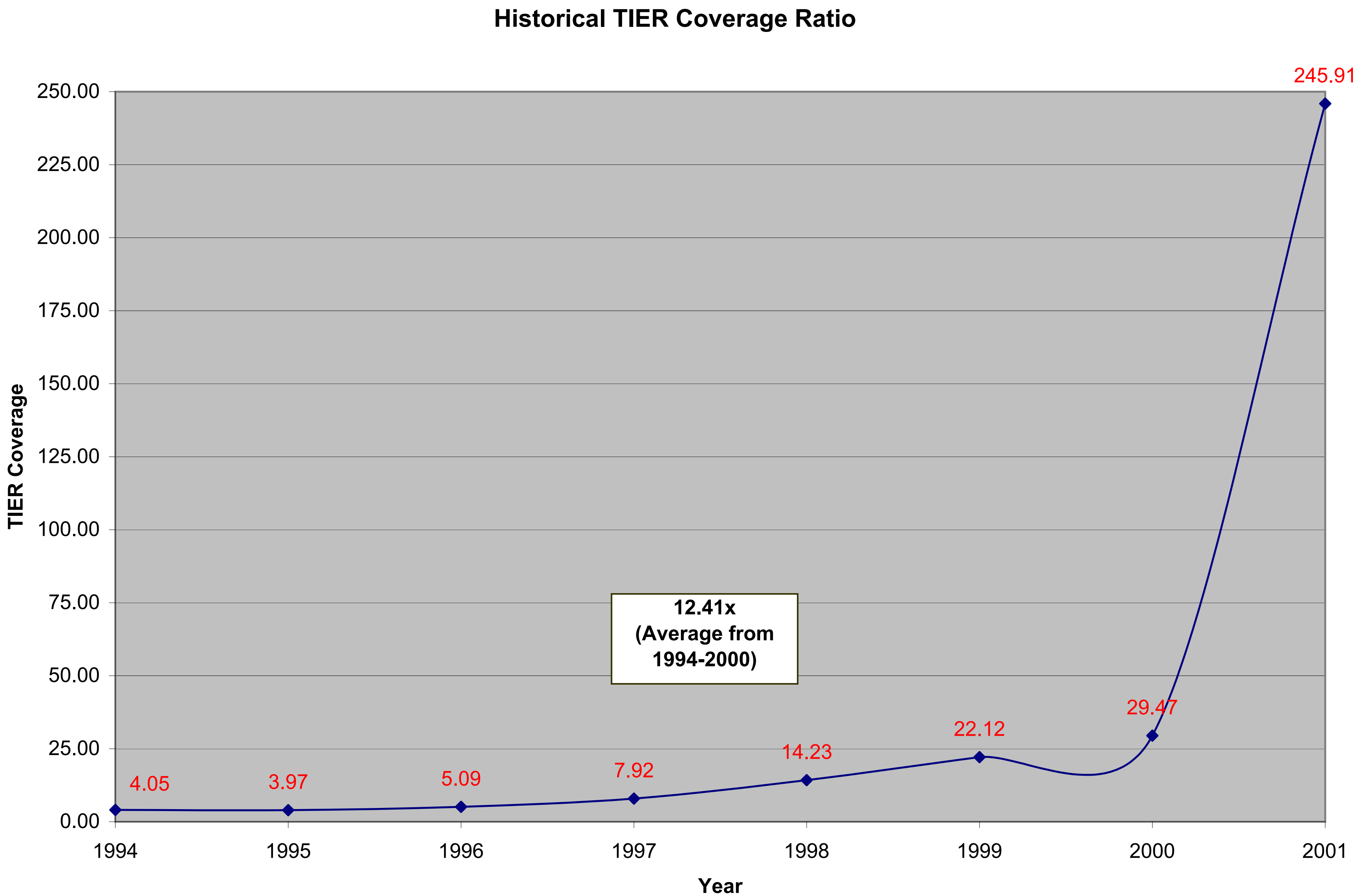
* Includes Current Portion of Long-Term Debt

Source: Alma Telephone Company's Filed Application Attachment 7 HC and response to Data Request 8 Attachment 2 and 3.

Alma Telephone Company
TU-2005-0358

Historical TIER Coverage Ratio

TIER Coverage Ratio	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Net Income +	$ 169,410	$ 267,244	$ 325,823	$ 433,494	$ 614,144	$ 591,093	$ 409,333	$ 421,483	$ 80,015	$ 10,802	$ (11,148)
Interest on long-term debt	$ 55,482	$ 89,927	$ 79,615	$ 62,625	$ 46,405	$ 27,982	$ 14,380	$ 1,721	$ -	$ 51	$ 45
divided by interest on LTD	$ 55,482	$ 89,927	$ 79,615	$ 62,625	$ 46,405	$ 27,982	$ 14,380	$ 1,721	$ -	$ 51	$ 45
TIER Coverage Ratio	4.05 x	3.97 x	5.09 x	7.92 x	14.23 x	22.12 x	29.47 x	245.91	NMF	212.80	-246.73

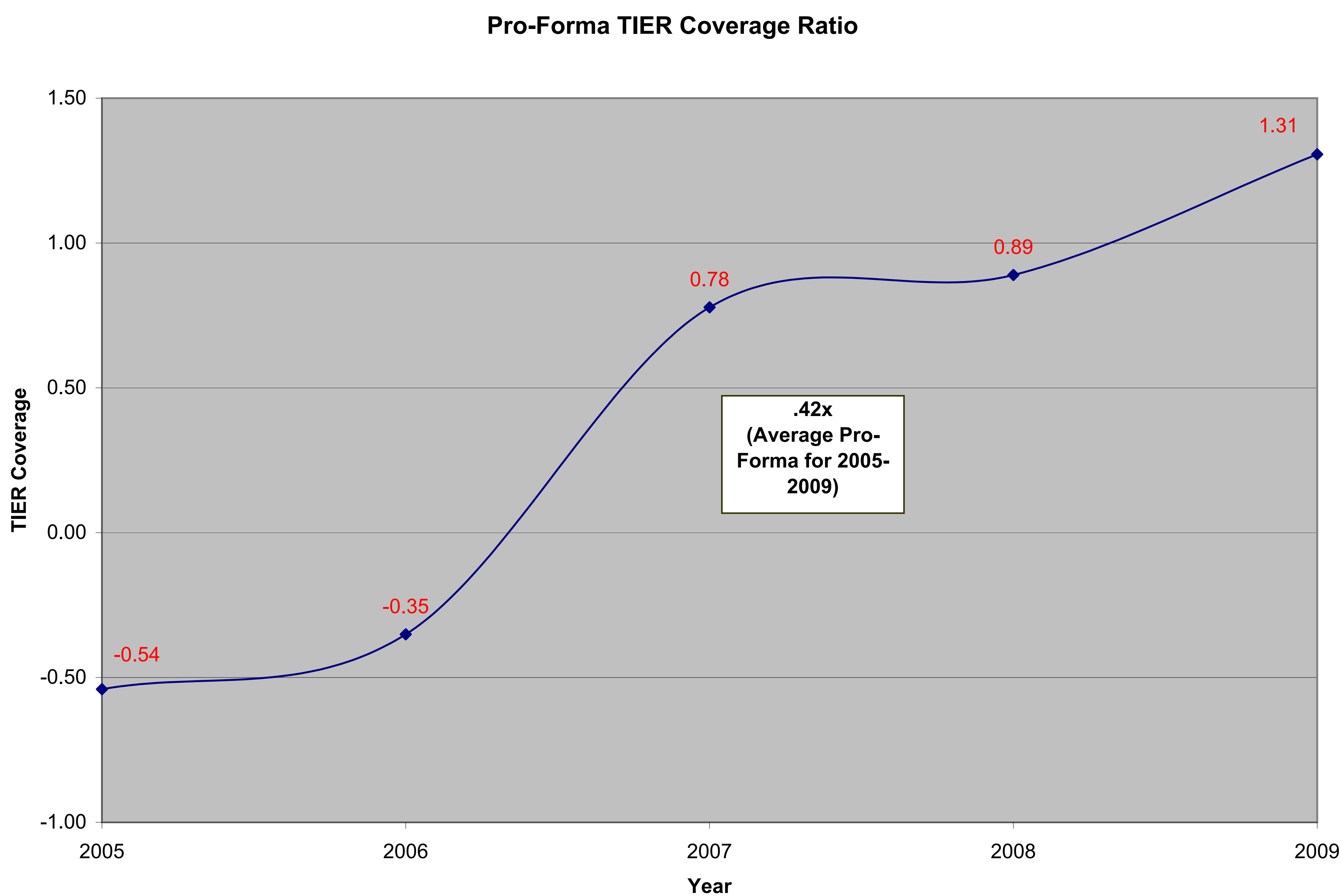


Attachment B-2

Alma Telephone Company
TU-2005-0358

Pro-Forma TIER Coverage Ratio

TIER Coverage Ratio	2005	2006	2007	2008	2009
Net Income +	$ (81,613)	$ (239,681)	$ (55,003)	$ (26,971)	$ 73,182
Interest on long-term debt	$ 52,985	$ 177,425	$ 247,936	$ 244,357	$ 238,963
divided by interest on LTD	$ 52,985	$ 177,425	$ 247,936	$ 244,357	$ 238,963
TIER Coverage Ratio	-0.54 x	-0.35 x	0.78 x	0.89 x	1.31 x



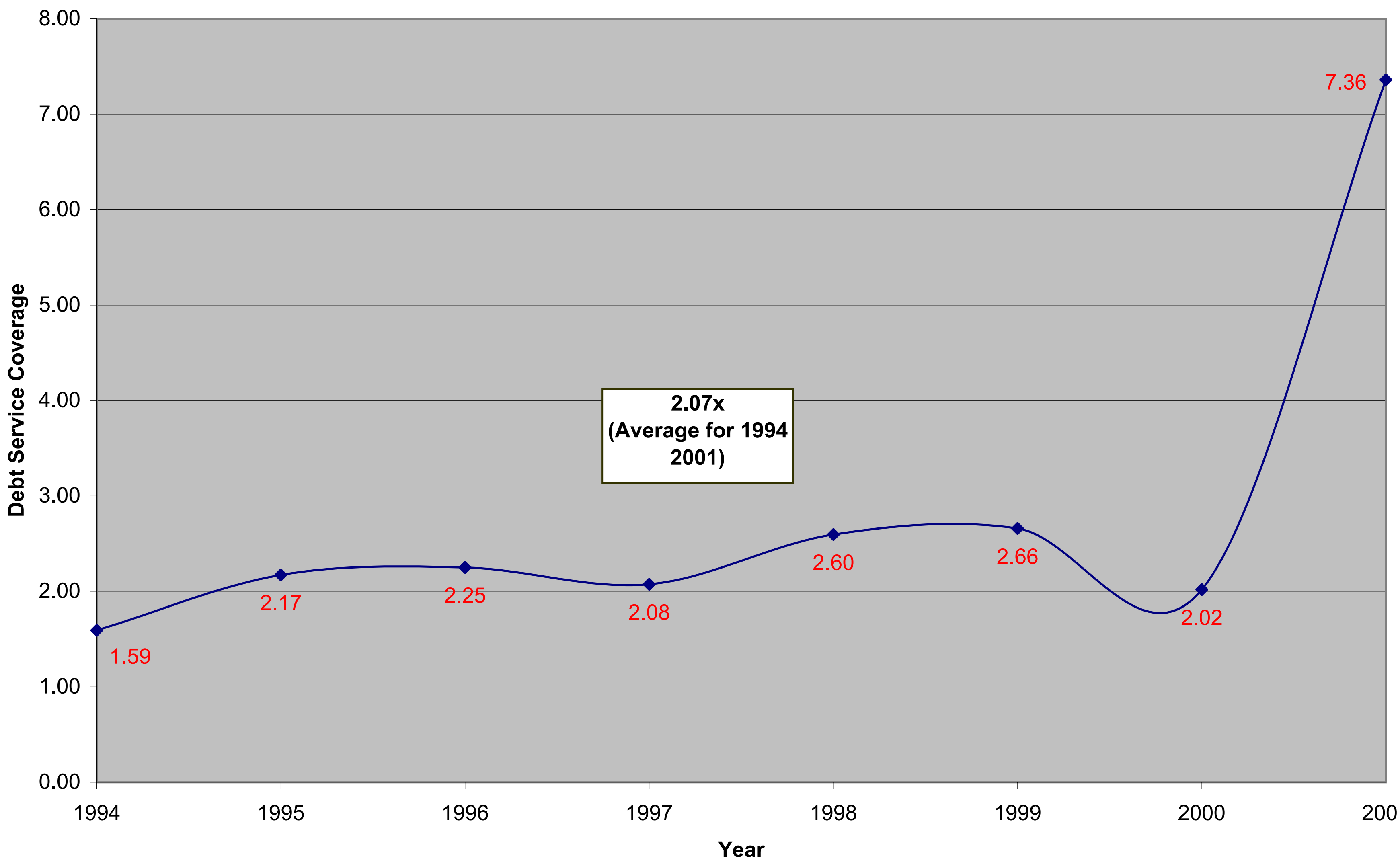
Attachment B-4

Alma Telephone Company
TU-2005-0358

Historical DSC Coverage Ratio

Debt Service Coverage Ratio	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
Net Income +	$ 169,410	$ 267,244	$ 325,823	$ 433,494	$ 614,144	$ 591,093	$ 409,333	$ 421,483	$ 80,015	$ 10,802	$ (11,148)	
depreciation & amortization +	$ 29,564	$ 30,903	$ 33,369	$ 37,886	$ 34,426	$ 44,392	$ 53,142	$ 56,863	$ 43,191	$ 51,702	$ 60,756	
Interest on long-term debt +	$ 55,482	$ 89,927	$ 79,615	$ 62,625	$ 46,405	$ 27,982	$ 14,380	$ 1,721	$ -	$ -	$ -	
principal payment +	$ 104,297	$ 88,702	$ 115,299	$ 194,718	$ 221,321	$ 221,524	$ 221,728	$ 63,504	$ -	$ -	$ -	
divided by Total Principal and Interest	$ 159,779	$ 178,629	$ 194,914	$ 257,343	$ 267,726	$ 249,506	$ 236,108	$ 65,225	$ -	$ -	$ -	#
Debt Service Coverage Ratio	1.59 x	2.17 x	2.25 x	2.08 x	2.60 x	2.66 x	2.02 x	7.36 x	0.00 x	0.00 x	0.00 x	

Historical Debt Service Coverage Ratio

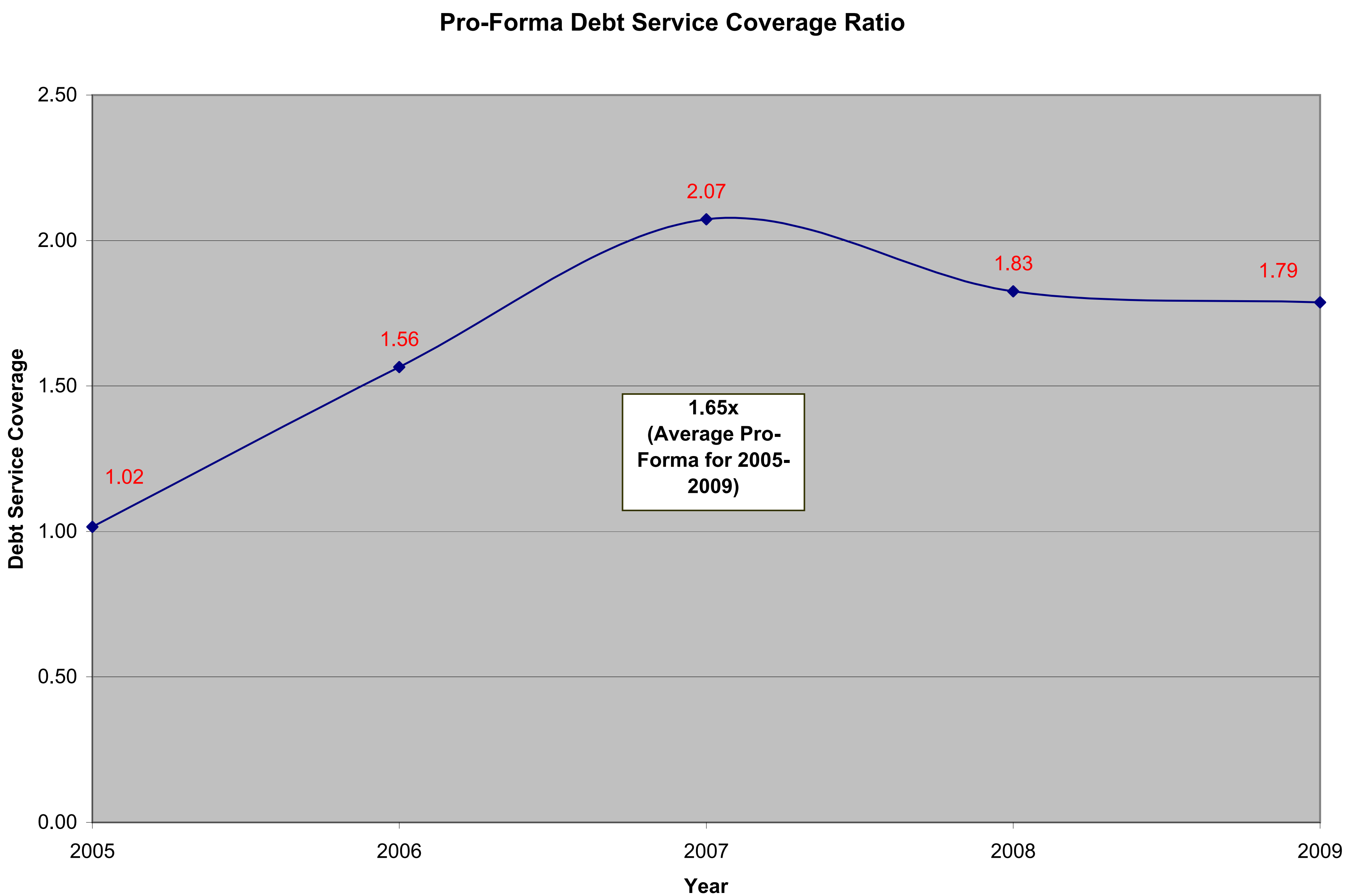


Attachment C-2

Alma Telephone Company
TU-2005-0358

Pro-Forma DSC Coverage Ratio

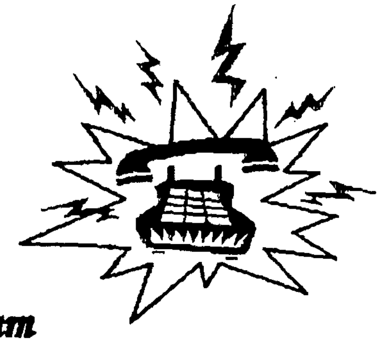
Debt Service Coverage Ratio	2005	2006	2007	2008	2009
Net Income +	$ (81,613)	$ (239,681)	$ (55,003)	$ (26,971)	$ 73,182
depreciation & amortization +	$ 82,430	$ 339,871	$ 403,339	$ 403,339	$ 295,478
Interest on long-term debt	$ 52,985	$ 177,425	$ 247,936	$ 244,357	$ 238,963
principal payment	$ -	$ -	$ 39,743	$ 95,665	$ 101,061
Divided by Total Principal and Interest	$ 52,985	$ 177,425	$ 287,679	$ 340,022	$ 340,024
Debt Service Coverage Ratio	1.02 x	1.56 x	2.07 x	1.83 x	1.79 x



Attachment C-4

DATE:	NUMBER OF PAGES: (Includes Cover)
4/28/05	2

FACSIMILE TRANSMISSION COVER SHEET



United States Department of Agriculture
Rural Utilities Service
Northern Division - Telecommunications Program

DELIVER TO	TRANSMISSION FROM
FACSIMILE TELEPHONE NUMBER 573-526-4994	**FACSIMILE TELEPHONE NUMBER** (202) 690-4654
NAME: Matt Barnes	**NAME:** ~~B~~ Jerry Brent
ORGANIZATION:	**TELEPHONE NUMBER:** 690-4654

SUBJECT:

MESSAGE:

Attachment D-1

Loan Designation:	Missouri 597-B11 Alma			
	Actual Data For		Forecast For	
12/31/03	382	Avg. Subs.	389	Subscribers
ITEM	TOTAL	PER. SUB.	PER. SUB.	TOTAL
REVENUES				
1.Local Network Service....................	$37,068	$97.04	$97.04	$37,747
2.Network Access Service..................	334,826	876.51		
3.Long Distance Network Service..........	0	0.00		
4.Carrier Billing and Collection...........	11,936	31.25	3,615.72	1,406,517
5.Miscellaneous..................................	4,373	11.45	11.45	4,454
6.Less Uncollectible............................	(1,991)	(5.21)	0.00	0
7.Total Operating Revenues..................	$390,194	$1,021.45	$3,724.21	$1,448,718
EXPENSES:				
8.Plant Specific Operations..................	$76,537	$200.36	$200.36	$77,940
9.Plant Nonspecific Operations.............	4,866	12.74	12.74	4,956
10.Depreciation..................................	43,284	113.31	670.11	260,674
11.Amortization..................................	0	0.00	47.16	18,347
12.Customer Operations........................	42,097	110.20	110.20	42,868
13.Corporate Operations........................	189,738	496.70	496.70	193,216
14.Other Operating Inc. & Expense.......	0	0.00	0.00	0
15.Taxes Excluding F.I.T......................	16,321	42.73	42.73	16,622
16.Fixed Charges (interest)...................	0	0.00	717.10	278,950
17.Nonoperating Net Loss.....................	2,816	7.37	7.24	2,816
18.Extraordinary Items..........................	0	0.00	0.00	0
19.__________	0	0.00	0.00	0
20.Nonregulated Net Loss.....................	565	1.48	1.45	565
21.Total Expenses, Excluding F.I.T.......	$376,224	$984.88	$2,305.79	$896,954
22.Net Income Before F.I.T....................	$13,970	$36.57	$1,418.42	$551,764
23.Federal Income Tax..........................	3,168	8.29	212.76	82,765
24.Net Income After F.I.T......................	$10,802	$28.28	$1,205.65	$469,000
25.Add Interest.............................. (	2.68	TIER)...............	717.10	278,950
26.Net Operating Income................(	14.35%	of D11)...........	$1,922.75	$747,950
27.Add: Depreciation and Amortization			717.27	279,021
28.Available For Interest And Principal Payments			$2,640.03	$1,026,971
29.Scheduled Interest and Principal Payments			1,304.54	507,466
30.Available For Plant Additions, Replacements, Etc			$1,335.49	$519,505

RUS FORM 496 REV 7/00 EXHIBIT 1, Page 2

Notes:

1. Existing after-tax TIER = 0.00
2. Projected Debt Service Coverage Ratio = 2.02
3. Long Distance Network Service includes Carrier Billing & Collection Revenues and a USF payment of $995,253. After-tax TIER without the USF payment would be -0.58. The minimum USF payment required for a TIER of 1.00 is $443,489.

STANDARD &POOR'S | RATINGSDIRECT

Return to Regular Format

Research:

Financial Medians: Telecommunications Companies

Publication date: 16-Jun-1999

	AA	A	BBB
Pretax interest coverage (x)	over 4.5	3.5-5.5	2.3-4.0
Total debt / total capital (%)	under 42	40-52	50-62
Funds from operations interest coverage (x)	over 6.5	5.0-7.0	3.5-5.5
Net cash flow to total debt (%)	over 32	25-33	20-30

Attachment E

ALMA COMMUNICATIONS COMPANY
DEPRECIATION RATES
CASE NO. TU-2005-0358

ACCOUNT	ACCOUNT NUMBER	NET SALVAGE (%)	AVERAGE SERVICE LIFE (YRS)	STAFF DEPRECIATION RATE (%)	CURRENT DEPRECIATION RATE (%)	RATES THAT WILL BE BOOKED (%)
Vehicles - Combined	2112	12	8.6	10.23	12.00	20.00
Garage Work Equipment	2115	1	13.0	7.62	5.00	10.00
Other Work Equipment	2116	6	14.0	6.71	5.00	10.00
Buildings	2121	2	35.0	2.80	2.50	2.86
Furniture	2122	6	14.0	6.71	5.00	10.00
Office Equipment - Office Support	2123.1	3	10.0	9.70	4.50	10.00
Office Equipment - Company Communications	2123.2	3	8.4	11.55	4.50	10.00
General Purpose Computers	2124	13	6.4	13.59	5.50	20.00
Digital Switching	2212	0	15.0	6.67	5.00	8.33
Circuit Equipment- Combined	2232	-3	10.0	10.30	5.00	10.00
Circuit Equipment - Digital	2232.x	-3	10.0	10.30	5.00	10.00
Underground Cable - Fiber	2422.2	-5	28.0	3.75	4.20	5.00
Buried Cable - Fiber	2423.2	-3	28.0	3.68	4.20	5.00
Conduit Systems	2441	0	50.0	2.00	4.20	5.00