

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6407

Petition of Waitsfield-Fayston Telephone Company,)
Inc. for authority to borrow \$3,000,000 to be Used to)
Complete the Siemens EWSD Switching System and to)
Provide Digital Subscriber Line Service)

Order entered: 8/23/2000

I. INTRODUCTION

Waitsfield-Fayston Telephone Company, Inc. ("Waitsfield" or "the Company") filed a petition on June 28, 2000, seeking authorization pursuant to 30 VSA § 108(a), to borrow \$3,000,000 from the Rural Telephone Finance Cooperative (the "RTFC") for a term of 15 years with a 12 percent patronage rate as a senior secured term loan. The term loan will be used to fund plant additions and improvements in the amount of \$2,850,000¹ and to purchase lender Subordinated Capital Certificates ("SCC") in the amount of \$150,000.

In support of its petition, Waitsfield submitted an affidavit of Roger H. Nishi, Vice-President, Industry Relations of Waitsfield.

Copies of the petition and the affidavit were served upon the Vermont Department of Public Service ("DPS") concurrent with the filing with the Vermont Public Service Board ("Board").

On July 21, 2000, the DPS stated that, based on the filing and the affidavit of the Company in support of its filing, the DPS recommended that the petition be granted without hearings or further investigation.

I have reviewed the petition and accompanying documents. I conclude that approval of Waitsfield's petition pursuant to 30 V.S.A. § 108 is appropriate and that such approval may occur without hearing.

1. The borrowed funds requested in this petition will be used by Waitsfield to finance the completion of the central offices to a Siemens Elektronisches WahlSystem Digital ("EWSD") switching system, which will allow it to offer digital subscriber line ("DSL") service.

Based upon the evidence submitted by the petitioner, I hereby report the following findings of fact in accordance with 30 V.S.A. § 8.

II. FINDINGS OF FACT

1. The Company is a capital stock corporation organized and existing under the laws of the State of Vermont, with its principal office located in Waitsfield, Vermont, and is subject to the jurisdiction of the Board pursuant to 30 V.S.A. § 203. Petition at 1.

2. The Company is engaged in the business of providing telephone service to its customers in nine exchanges: Richmond, Bristol, Hinesburg, Charlotte, Panton, Addison, Weybridge, Bridport, and Waitsfield/Warren. Petition at 1.

3. Waitsfield plans to borrow \$3,000,000 from RTFC, primarily to complete the purchase and installation of a Siemens EWSD switching system in the Company's network at an expected cost of approximately \$2,850,000. The remaining \$150,000 is to purchase RTFC Subordinated Capital Certificates. Exh. 2.

4. The RTFC's term loan to Waitsfield will have a final maturity of fifteen years and a two-year principal deferral period, and will be priced at RTFC's standard rate for long-term loans with 5 percent SCCs. The loan is repayable quarterly, over a term of fifteen years, and bears interest at RTFC's monthly long-term variable rate, with an option for the Company to convert to a fixed rate. Exh. 2.

5. The Company estimates that the effective interest rate applicable to the loan will be approximately 8 percent, which is the Company's average weighted cost of debt as of December 31, 1999. Petition at 2.

6. As a private, member-owned finance corporation, RTFC requires a temporary equity investment (i.e., purchase of SCC's) as a condition of obtaining a term loan. RTFC Letter dated December 22, 1999.

7. Presently, the Company's network consists of two Siemens digital central office ("DCO") host offices, one Siemens EWSD host office, eleven DCO remote offices and 22 EWSD remote locations. In terms of hardware and software, two network platforms (DCO and EWSD) are very expensive to administrate and maintain. Duplicate upgrades and expenses related to Communications Assistance for Law Enforcement Act 1994 ("CALEA") can be avoided by converting to a single network platform. In addition, DSL service does not currently exist as an integrated package in the DCO environment but is a key component of the EWSD. Once the

conversion to a single platform (EWSD only) is complete, the Company will begin deployment of DSL to its customers. Nishi Affidavit at ¶ 3.

8. On January 12, 2000, Waitsfield's Board of Directors evaluated the proposed project and the financing and directed the Company's officers to proceed to obtain approval under 30 V.S.A. § 108 to obtain the financing through the RTFC and to target completion of the installation of the new switching system on or before December 31, 2000. Nishi Affidavit at ¶ 4.

9. By the year ended December 31, 2000, the Company forecasts that its debt will be approximately \$23,000,000 and its equity will be approximately \$19,000,000. Nishi Affidavit at ¶¶ 8-9.

10. Based upon its investigation, the Company was not able to obtain more favorable terms for the proposed loan and refinancing than those available from the RTFC. Nishi Affidavit at ¶ 11.

III. CONCLUSION

Based upon the foregoing, I find that the borrowing of \$3,000,000 from RTFC, consisting of approximately \$2,850,000 for the purchase and the installation of a Siemens EWSD switching system, and \$150,000 for the purchase of RTFC Subordinated Capital Certificates, is consistent with the general good of the State of Vermont.

All parties to this proceeding have waived the opportunity to comment on this Proposal for Decision in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 22nd day of August, 2000.

s/Ennis John Gidney
Ennis John Gidney
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings of Fact and Conclusion of the Hearing Officer in this case are adopted.
2. Consent is hereby given, pursuant to 30 V.S.A. § 108, to Waitsfield-Fayston Telephone Company, Inc., to borrow \$3,000,000 from the Rural Telephone Finance Cooperative, consisting of approximately \$2,850,000 to purchase and install a Siemens switching system, and \$150,000 for the purchase of RTFC Subordinated Capital Certificates. Consent is also hereby given to the mortgaging and pledging by Waitsfield-Fayston Telephone Company, Inc. of its properties to secure the principal and interest of such notes as shall be issued under this Order.
3. The issuance by Waitsfield-Fayston Telephone Company, Inc. of its notes in an amount not to exceed \$3,000,000 for the purposes set forth in the Findings of Fact is consistent with the general good of the State of Vermont.
4. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that Waitsfield-Fayston Telephone Company, Inc. may implement with the proceeds from the issuance of this long-term note.

DATED at Montpelier, Vermont, this 23rd day of August, 2000.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
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OFFICE OF THE CLERK

Filed: August 23, 2000

Attest: s/Susan M. Hudson
Clerk of the Board

Notice to Readers: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or mail) of any technical errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.

