

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HAROLD TELEPHONE)
COMPANY, INC. FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO) CASE NO. 93-261
BORROW \$1,111,111.00 AND CONSTRUCT A)
NEW HEADQUARTERS BUILDING)

INTERIM ORDER

On October 5, 1993, Harold Telephone Company, Inc. ("Harold Telephone") filed an application for a Certificate of Public Convenience and Necessity ("CPCN") to construct a new headquarters building in Harold, Kentucky. Harold Telephone, whose principal office is located in Harold, Kentucky, is a privately owned telephone company serving 5,023 subscribers in Pike and Floyd counties.

Harold Telephone proposes to build a headquarters building, of approximately 15,000 square feet, on 3.52 acres of land located on U.S. Route 23. Harold Telephone's architect proposes a target budget for a modern office building of \$80 per square foot.¹ The facility will replace a currently inadequate facility which was built in 1956, with additions in 1964 and 1974. This new building will be constructed above the 100 year floodplain in which the previous headquarters was located.

¹ Exhibit 10, Harold Telephone's Application for Certificate of Public Convenience and Necessity, Filed September 27, 1993.

The proposed building site was purchased by Harold Telephone in two tracts. In July 1991, a 2.3 acre parcel was purchased for \$125,000 and in March 1992, a 1.2 acre plot was purchased for \$200,000. At the Commission's request, Harold Telephone provided independent appraisals for the land. The averaged appraisals valued the land at \$355,000.

The headquarters building will be constructed by Akers Construction Company, with estimated building and architectural costs of \$1,272,000. Upon completion of its new facility, Harold Telephone intends to use the existing headquarters building as office space for the outside plant superintendent and installation and repair foreman. Any leftover space might be rented.

Harold Telephone has proposed to finance its new headquarters building by borrowing \$1,111,111 from the Rural Telephone Financing Cooperative ("RTFC"). One million dollars of the loan proceeds would be applied toward the total cost of \$1,272,000. The balance of \$272,000 would come from general funds. The remaining \$111,111 of loan proceeds is to be used to meet the 10 percent equity requirements of RTFC by purchasing a Subordinated Capital Certificate. Although Harold Telephone states that it has received RTFC's verbal assurance that its loan will be approved, it will not be making a formal loan application until it receives its CPCN.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the construction of a new headquarters building is needed to provide adequate and dependable service to existing and future customers. Costs have

been thoroughly reviewed and appear reasonable and aligned with the public convenience and necessity demonstrated by Harold.

Loan approval will not be granted until the Commission receives a copy of loan approval from RTFC. Therefore, the Commission finds that Harold Telephone should be granted a CPCN and loan approval will only be granted by further Order of the Commission following RTFC approval.

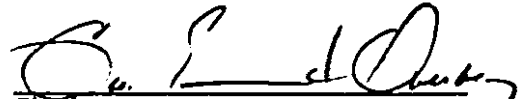
IT IS THEREFORE ORDERED that:

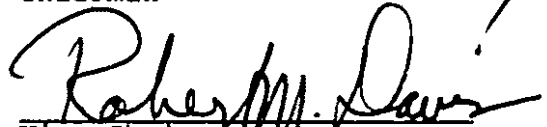
1. Harold Telephone be and it hereby is granted a Certificate of Public Convenience and Necessity to construct a new headquarters building.

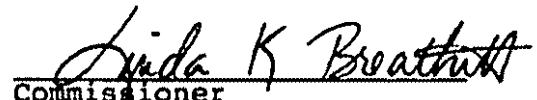
2. Harold Telephone shall provide the Commission with all documents pertaining to its RTFC loan filing and approval, within 30 days of filing and receipt.

Done at Frankfort, Kentucky, this 11th day of May, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director