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February 16, 2005

OVERNIGHT MAIL

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

FEB 17 2005

Re: Midvale Telephone Exchange, Inc.'s Notice of Compliance
Docket No. T-02532A-03-0039
GP File No. 1614-1

DOCKETED BY	<i>CM</i>
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To Whom It May Concern:

With regard to the above-referenced matter, enclosed please find an original NOTICE OF COMPLIANCE, plus 14 copies. Please file the original and return a conformed copy to our office in the enclosed self-addressed, stamped envelope.

Thank you for your assistance with this matter. Please contact me if you have any questions.

Sincerely,
Heidi C. Meier
Heidi C. Meier
Assistant to Conley E. Ward

Enclosures
cc: Karen Ellison
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Attorneys for Midvale Telephone Exchange, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

Arizona Corporation Commission

DOCKETED

FEB 17 2005

DOCKETED BY	
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IN THE MATTER OF THE APPLICATION
OF MIDVALE TELEPHONE EXCHANGE
FOR APPROVAL OF EXTENDED AREA
SERVICE FOR ITS GRANITE MOUNTAIN
EXCHANGE SERVICE TERRITORY.

Docket No. T-02532A-03-0039

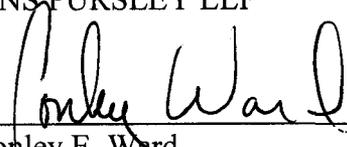
**MIDVALE TELEPHONE
EXCHANGE, INC.'S NOTICE OF
COMPLIANCE**

On August 13, 2003, the Commission issued Decision No. 66171 in the above entitled proceeding. Decision 66171 required, *inter alia*, that Midvale Telephone Exchange, Inc. ("Midvale") report actual extended area service ("EAS") calling volumes for its Granite Mountain exchange within 18 months of the Commission's decision in the above entitled matter.

Attached hereto is Midvale's "Granite Mountain EAS Update" filed in compliance with Decision No. 66171.

RESPECTFULLY SUBMITTED this 16th day of February 2005.

GIVENS PURSLEY LLP

By 

Conley E. Ward
Attorneys for Midvale Telephone Exchange,
Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 16th day of February 2005, I caused to be served a true and correct copy of the foregoing document by the method indicated below, and addressed to the following:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

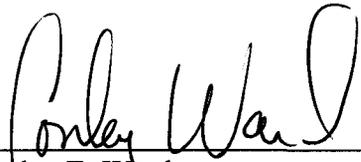
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Conley E. Ward

Granite Mountain EAS Update

Background

The Arizona Corporation Commission ordered Midvale Telephone to implement Extended Area Service (EAS) calling in its Granite Mountain exchange in Decision 66171 dated August 12, 2003 (Docket Number T-02532A-03-0039). After obtaining the necessary equipment and negotiating with Qwest, EAS was put into service in May of 2004. The billing system has an inherent lag such that calls placed in late May do not show up in the billing until July. Hence, this report includes updated EAS and Access data for the entire year of 2004, however the effects of EAS are 'visible' only in July through December.

Growth in Granite Mountain

Phenomenal growth persists in the Granite Mountain exchange. The last six months of 2003 saw a monthly growth rate average of 5.6% which has continued throughout 2004 with an average monthly growth of 4.5%. The overall growth for Granite Mountain in 2004 was 40%. This is a sharp contrast to our other exchanges which typically have flat or nominal growth rates. For example, Cascabel shows a loss of nearly 6% of our access lines for 2004 and Young shows 2% growth.

Granite Mountain

2003 Access Lines	2003 % AL GROWTH	2004 Access Lines	2004 % AL GROWTH		2004 Cascabel Acc Lines	2004 Young ACC Lines
5		192	4.69%	JAN	258	445
89	94.38%	200	4.00%	FEB	257	444
108	17.59%	208	3.85%	MAR	257	446
116	6.90%	216	3.85%	APR	259	455
121	4.13%	228	5.26%	MAY	258	454
129	6.20%	239	4.60%	JUN	256	456
147	12.24%	235	-1.70%	JUL	249	460
148	0.68%	247	4.86%	AUG	247	461
156	5.13%	263	6.08%	SEP	242	457
163	4.29%	274	4.01%	OCT	245	457
172	5.23%	291	5.84%	NOV	245	453
183	6.01%	320	9.06%	DEC	244	455
Ave Monthly	14.80%		4.52%			
Annual Growth	97.27%		40.00%		-5.74%	2.20%

The growth in Granite Mountain is accelerating rather than slowing. In the last six months of 2004, access lines grew from 235 in July to a year-end total of 320 – nearly 27%.

Access Minutes Decline

As expected, while we have seen growth in access *lines*, access *minutes* of use have declined. While the growth in access *lines* for 2004 was 40%, access *minutes* dropped by 1.6%. What is more telling, however, is the change in *access minutes per line* – which fell from over 580 minutes per line to 343 minutes per line; a loss of nearly 70%.

The chart below shows the billed access minute data for 2004.

BILLED ACCESS DATA				
	683 ¹	998	Total	Min/Lines
JAN		111,698	111,698	581.76
FEB		125,375	125,375	626.88
MAR		127,257	127,257	611.81
APR		130,617	130,617	604.71
MAY		143,660	143,660	630.09
JUN		183,526	183,526	767.89
JUL	68,873	38,889	107,762	458.56
AUG	112,417	621	113,038	457.64
SEP	107,462		107,462	408.60
OCT	97,546		97,546	356.01
NOV	98,773		98,773	339.43
DEC	109,898		109,898	343.43
Monthly Average			121,384	
Annual % Growth			-1.64%	-69.40%

The effects of the drop in access minutes is more telling when considering the revenue generated by those minutes. The revenue impact of access is significant because while interstate rates are reasonably low (as filed in our tariff through NECA), our in-state rates were set at 14 cents per minute in our last rate case. Thus, the access revenue per line has plummeted from nearly \$40 per line to less than \$13 per line. Obviously the high in-state access rates make the impact of EAS on the Company's revenue requirement more significant than what otherwise might be the case.

¹ This chart shows data for Granite Mountain both prior to and after implementing EAS. Concomitant with the implementation of EAS, there was also a change in area code and prefix for these customers. Prior to EAS the number was (928) 998, and now it is (480) 683.

Summary of Access Revenues in 2004, calculated on a per line basis:

	TOT	Acc Rev Per Line
JAN	\$7,666.72	\$39.93
FEB	\$8,823.52	\$44.12
MAR	\$9,080.70	\$43.66
APR	\$9,698.02	\$44.90
MAY	\$10,967.19	\$48.10
JUN	\$12,355.99	\$51.70
JUL	\$6,205.40	\$26.41
AUG	\$6,275.96	\$25.41
SEP	\$5,139.48	\$19.54
OCT	\$3,558.34	\$12.99
NOV	\$3,624.40	\$12.45
DEC	\$4,032.90	\$12.60

Extended Area Service Traffic Reports

Calling volumes and patterns for EAS are as expected. Considerable traffic has been reported. EAS traffic is consistently three times the level of access (toll or long-distance) traffic. Also, while access traffic is typically balanced between originating and terminating (or weighted more towards terminating), EAS traffic is predominantly originating. We interpret this as the effect of dial-up internet traffic with its long hold times.

	<u>EAS TRUNK USE</u>		
	ORIG	TERM	TOTAL
JUL	181,362	70,725	252,087
AUG	208,913	70,962	279,875
SEP	185,526	78,201	263,727
OCT	200,668	82,470	283,138
NOV	214,553	86,185	300,738
DEC	200,007	75,501	275,508

Extended Area Service Revenue

The Arizona Corporation Commission ordered a surcharge of \$10.45 per access line for recovery of lost access revenues. As noted above, the access revenue per line has dropped significantly, yet that is softened by the effect of the surcharge. So rather than dropping from \$40 to \$13, the net effect is a drop to \$23. That is, however, still a reduction in revenue of 43%. On the other hand, the Company's total revenues for the exchange are growing because of the dramatic increase in access lines.

<u>EAS</u>	<u>BUS LOC</u>	<u>RES LOC</u>	<u>ACCESS</u>	<u>TOT</u>	<u>REVENUE</u>
<u>REVENUE</u>	<u>REVENU</u>	<u>REVENU</u>	<u>REVENU</u>	<u>REV</u>	<u>PER LINE</u>
	540.00	3,744.00	7666.72	11,950.72	62.24
	540.00	3,936.00	8823.52	13,299.52	66.50
	540.00	4,128.00	9080.70	13,748.70	66.10
	540.00	4,320.00	9698.02	14,558.02	67.40
	570.00	4,560.00	10967.19	16,097.19	70.60
2,497.55	570.00	4,824.00	12355.99	20,247.54	84.72
2,455.75	480.00	4,872.00	6205.40	14,013.15	59.63
2,581.15	480.00	5,160.00	6275.96	14,497.11	58.69
2,748.35	630.00	5,304.00	5139.48	13,821.83	52.55
2,863.30	690.00	5,472.00	3558.34	12,583.64	45.93
3,040.95	750.00	5,784.00	3624.40	13,199.35	45.36
3,344.00	780.00	6,432.00	4032.90	14,588.90	45.59