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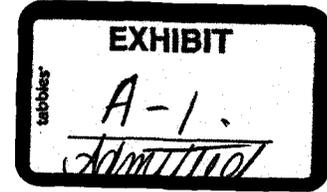
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BEFORE THE ARIZONA CORPORATION COMMISSION

2005 JUL 15 P 12: 58

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
MARC SPITZER
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL



IN THE MATTER OF THE
APPLICATION OF VALLEY
TELEPHONE COOPERATIVE, INC.
TO EXTEND ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY IN
COCHISE COUNTY

DOCKET NO. T-
T-01051B-05-0171
T-01847A-05-001
APPLICATION

INTRODUCTION

Pursuant to the provisions of A.R.S. §§ 40-281 *et seq.*, and A.A.C. R14-2-502, Valley Telephone Cooperative, Inc. ("Valley" or the "Company"), hereby petitions the Arizona Corporation Commission ("Commission") for an order extending the Company's Certificate of Convenience and Necessity ("CC&N") in Cochise County, as described herein (the "Extension Area").

Although the requested Extension Area is included on the service area maps of Qwest Corporation ("Qwest"), upon information and belief, Qwest has no telecommunications facilities and no customers within the Extension Area. Valley has discussed this request for an extension with Qwest, and Qwest has confirmed that it is willing to transfer the Extension Area to Valley. See, Exhibit A, letter from Qwest. Thus, Valley requests that the Commission order the modification of Qwest's service area maps to remove the Extension Area, and the addition of the Extension Area to Valley's CC&N. Further, Valley requests that the Commission authorize the Company to charge those rates and charges in the Extension Area that are contained in the

Snell & Wilmer

LAW OFFICES
LLP
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

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1 Company's tariffs on file with the Commission. This Application is supported by the following
2 facts and information:

3 **SECTION I**

4 Pursuant to a CC&N granted by the Commission, Valley provides local exchange service
5 and other telecommunications services to customers in the rural Arizona exchanges of Portal,
6 Sunizona, Pearce, Bonita, Bowie and San Simon, which exchanges are located in portions of
7 Cochise and Graham Counties. Valley also provides telecommunications services to customers in
8 the New Mexico exchanges of Playas, Columbus, Animas and Rodeo, which are located in
9 portions of Hidalgo, Grant and Luna Counties, and in the Mexico exchange of Las Polomas.

10 **SECTION II**

11 Valley has received a request for telephone service from a person residing within the
12 current service area boundaries of Qwest, in the vicinity of Pearce, Arizona. This person lives
13 approximately a quarter of a mile from Valley's Pearce Exchange boundary. Upon inquiry from
14 this potential customer, Qwest notified him that it would cost him approximately \$20,000 for
15 Qwest to place facilities for two plain-old-telephone-service ("POTS") lines. Valley, on the other
16 hand, has existing facilities that could be used to extend service to this potential customer in the
17 requested Extension Area without delay or cost to the customer.

18 **SECTION III**

19 A map depicting the requested Extension Area is attached as Exhibit B. The Extension
20 Area is highlighted in yellow on the map. The legal description of the requested extension area is
21 West 1/2 portion of Section 8 in T165, R24E G&SRB&M. Although no portion of the Extension
22 Area is located within the CC&N of another local exchange carrier, the Extension Area is
23 included on Qwest's service area maps. Qwest has no facilities and no customers in the
24 Extension Area.

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SECTION IV

Valley would provide those local exchange services within the Extension Area that are identified in the Company's current tariffs on file with the Commission, including custom calling features and high-speed data options. The rates, charges, terms and conditions of local exchange service in the Extension Area would be the same as those currently set forth in the Company's tariffs.

SECTION V

Valley is an Arizona corporation in good standing. Valley's business address and telephone number are:

Valley Telephone Cooperative
Wilcox, Arizona 85644-0970
Phone: (520) 384-2231

SECTION VI

Valley is an established local exchange carrier in Arizona, with demonstrated financial stability. Financial data for Valley is contained in annual reports on file with the Commission. As a rural local exchange carrier, Valley has access to low-cost loans through the Rural Utilities Service (U.S. Department of Agriculture), which will accrue significant benefits to the Company's customers. Moreover, Valley has the requisite managerial and technical expertise to provide a superior level of service to customers in the Extension Area.

SECTION VII

The public convenience and necessity requires that telephone service be immediately provided in the requested Extension Area. It is not economically feasible for this potential customer to obtain telephone service from Qwest. Valley is ready, willing and able to provide telephone service to customers within the Extension Area.

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SECTION VIII

The requested Extension Area is not located within the incorporated limits of any city or town. Valley will apply to extend its existing Cochise County franchise within thirty (30) days following a decision by the Commission approving this application.

SECTION IX

Valley is providing a copy of this Application to Qwest simultaneous with this filing. The Company will provide such other notice of this Application as the Commission may order.

SECTION X

All correspondence regarding this Application should be directed to:

Deborah R. Scott
SNELL & WILMER
One Arizona Center
Phoenix, Arizona 85004-2202
Phone: (602) 382-6234
Fax: (602) 382-6070
E-mail: drscott@swlaw.com

And

Judy Bruns
Tom Bell
Valley Telephone Cooperative
Wilcox, Arizona 85644-0970
Phone: (520) 384-2231
E-mail: judy.bruns@vtc.com
tom.bell@vtc.com

CONCLUSION

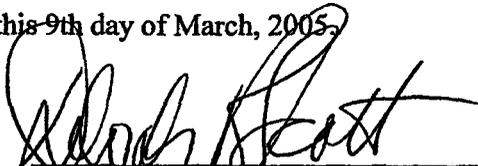
WHEREFORE, Valley Telephone Cooperative respectfully requests that the Commission set this Application for hearing and issue its Order: (i) authorizing the extension of Valley's CC&N to include the above-described Extension Area within Cochise County; (ii) ordering the modification of Qwest's service area maps to remove the Extension Area; and (iii) authorizing

Snell & Wilmer

L.L.P.
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2102
(602) 382-6000

1 Valley to impose those rates and charges in the Extension Area that are contained in the
2 Company's tariffs on file with the Commission.

3 RESPECTFULLY SUBMITTED this 9th day of March, 2005.



4
5
6 Jeffrey W. Crockett
Deborah R. Scott
SNELL & WILMER
One Arizona Center
Phoenix, Arizona 85004
7 (602) 382-6571
8 Attorneys for Valley Telephone Cooperative
9

10 ORIGINAL and thirteen (13) copies
of the foregoing filed this 9th day
of March, 2005, with:

11 Docket Control
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
Phoenix, Arizona 85007

14 A COPY of the foregoing hand-delivered
15 this 9th day of March, 2005, to:

16 Christopher C. Kempley, Chief Counsel
Legal Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
Phoenix, Arizona 85007

19 Ernest G. Johnson, Director
Utilities Division
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
Phoenix, Arizona 85007

22 A COPY of the foregoing mailed
this 9th day of March, 2005, to:

23 Norm Curtright, Staff Attorney-Policy and Law
24 QWEST CORPORATION
25 3033 North 3rd Street
Room 1010
26 Phoenix, Arizona 85012

Snell & Wilmer

LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 392-6000

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Timothy Berg, Esq.
Fennemore Craig PC
3003 N. Central Ave.
Suite 2600
Phoenix, AZ 85012-2913

Asa Duryee

1640129.1

4041 North Central Avenue 11th Floor
Phoenix, Arizona 85012
Office: 602-630-8255
Fax: 602-235-3107

Monica Luckritz
Staff Advocate – Public Policy



January 19, 2005

Tom Bell
Service Center Manager
Valley Telecom
P. O. Box 970
Wilcox, Arizona 85644

Dear Tom:

Per our previous conversations, Qwest is willing to transfer the West ½ portion of Section 8 in T16S, R24E of its Wilcox exchange to Valley Telecom. This includes parcels 1, 2, 7, 8, 9, 10, 11, 15 and 16.

Please feel free to either e-mail me or call me if you have any questions or need additional information.

Sincerely,

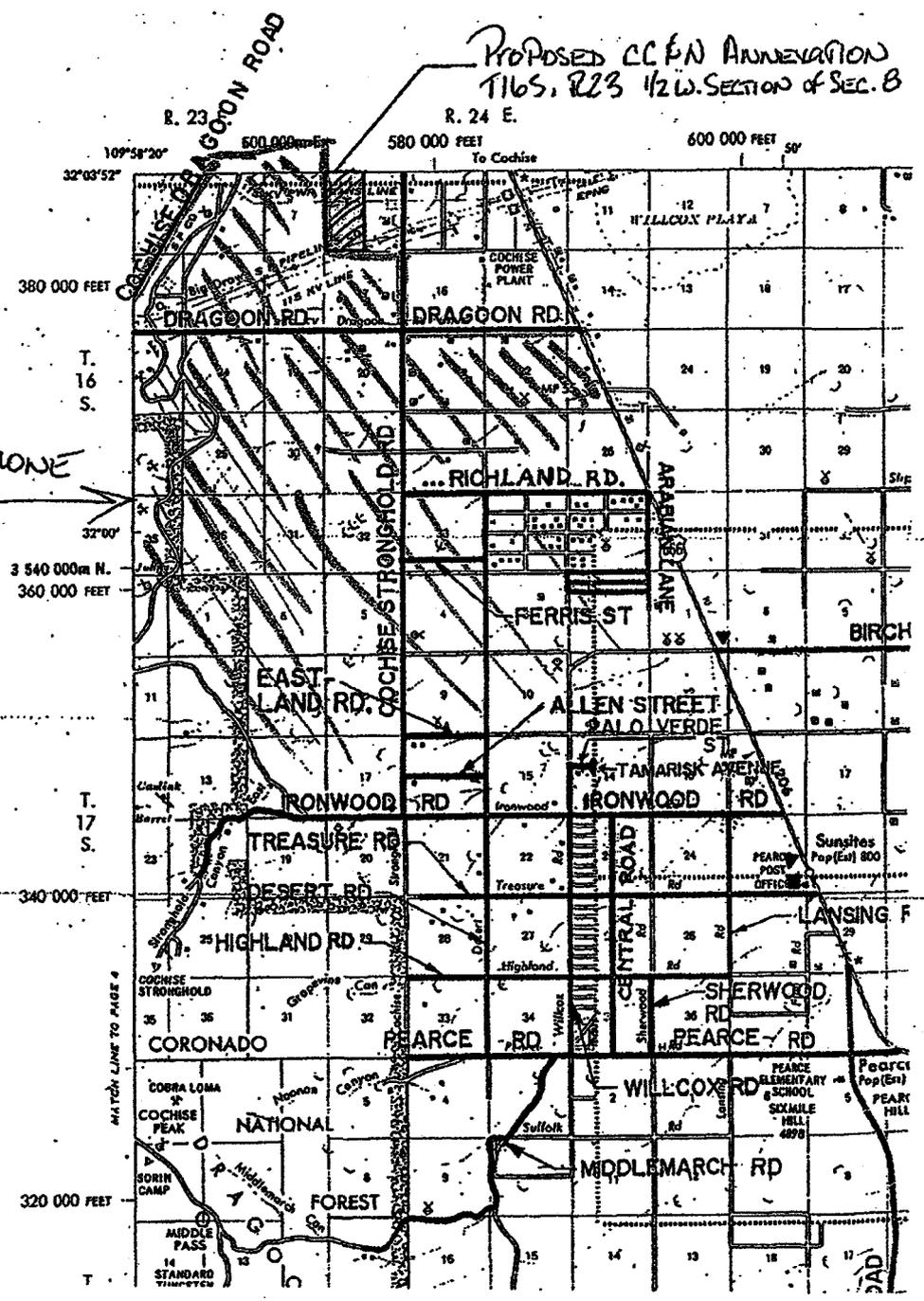
A handwritten signature in cursive script that reads "Monica Luckritz".

Cochise

Superior Mining

PROPOSED CCFN ANNEXATION
T16S, R23 1/2 W. SECTION OF SEC. 8

Valley Telephone
Exchange



TH DAM

I NAME)

MATCH LINE TO PAGE 4

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JUN 20 2005
SNELL & WILMER

Norman Curtright
Corporate Counsel

4041 N. Central Ave., Suite 1100
Phoenix, Arizona 85012

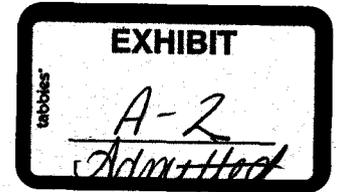
norm.curtright@qwest.com
602 630 2187 office
602 235 3107 fax

EXHIBIT A-2



June 16, 2005

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



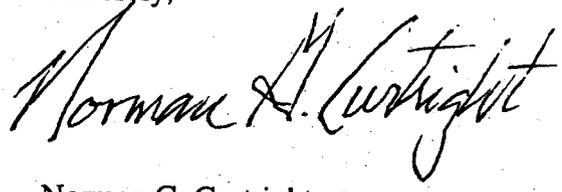
Re: In the Matter of the Application of Valley Telephone Cooperative, Inc. for an Extension of its Certificate of Convenience and Necessity in Cochise County
Docket Nos. T-01051B-05-0171, T-01847A-05-0171

Dear Madam or Sir:

Qwest Corporation ("Qwest") consents to the transfer of the subject area to Valley Telephone. Qwest does not have any issues with respect to the Staff's Report and Recommendations filed in this docket.

Please contact me at (602) 630-2187 if you have any questions concerning the above. Thank you for your assistance in this matter.

Sincerely,



Norman G. Curtright

**ORIGINAL and 13 copies hand-delivered for
Filing this 16th day of June, 2005 to:**

Docket Control
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, AZ 85007

**COPY of the foregoing hand delivered/mailed
this 16th day of June, 2005 to:**

Jane Rodda, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington
Phoenix, AZ 85007

Christopher C. Kempley, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Richard L. Boyles
Utilities Engineer-Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Delbert Smith
Utilities Engineer-Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Docket Control, Arizona Corporation Commission

June 16, 2005

Page 3

Deborah R. Scott
Jeffrey W. Crockett
Snell & Wilmer
One Arizona Center
Phoenix, AZ 85004

Mr. Timothy Berg, Esq.
Fennemore Craig
3003 N. Central Avenue, Suite 2600
Phoenix, AZ 85012

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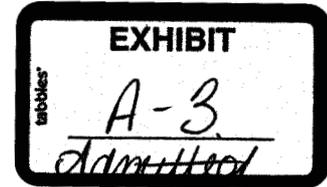
BEFORE THE ARIZONA CORPORATION COMMISSION

2005 MAY 13 A 11: 36

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
MARC SPITZER
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL



<p>IN THE MATTER OF THE APPLICATION OF VALLEY TELEPHONE COOPERATIVE, INC. FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY IN COCHISE COUNTY</p>	<p>DOCKET NO. T-01847A-05-0171 DOCKET NO. T-01051B-05-0171</p> <p>NOTICE OF MAILING NOTICE OF HEARING TO PROPERTY OWNERS</p>
--	--

Valley Telephone Cooperative, Inc. hereby notifies the Commission that on Monday, May 2, 2005 Valley Telephone Cooperative, Inc. mailed the attached Notice of Public Hearing by U.S. Mail to the following property owners as required by the April 21, 2005 Procedural Order in the above captioned matter:

Carl Mickler, AOK Enterprises, Inc.
P.O. Box 40334
Tucson, AZ 85717

Jeffrey B. Whitmore
6712 N. Calle Padre Felipe
Tucson, AZ 85718

John Sutherland
1235 W JS Ranch Rd.
Cochise, AZ 85712

DRE Properties LLC
3534 N. Riverhaven Dr.
Tucson, AZ 85712

Snell & Wilmer

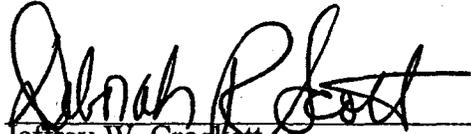
LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

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Ronald H. & Sandra M. Scherff
21655 Whitewood Dr. W
Steamboat Springs, CO 80487

RESPECTFULLY SUBMITTED this 13th day of May, 2005.



Jeffrey W. Crockett
Deborah R. Scott
SNELL & WILMER
One Arizona Center
Phoenix, Arizona 85004
(602) 382-6571
Attorneys for Valley Telephone Cooperative

ORIGINAL and fifteen (15) copies
of the foregoing filed this 13th day
of May, 2005, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

A COPY of the foregoing hand-delivered
this 13th day of May, 2005, to:

Christopher C. Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Snell & Wilmer

LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

Snell & Wilmer

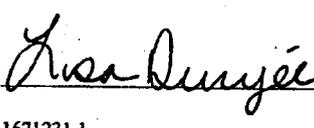
LLP
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One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

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A COPY of the foregoing mailed
this 13th day of May, 2005, to:

Norm Curtright, Staff Attorney-Policy and Law
QWEST CORPORATION
3033 North 3rd Street
Room 1010
Phoenix, Arizona 85012

Timothy Berg, Esq.
Fennemore Craig PC
3003 N. Central Ave.
Suite 2600
Phoenix, AZ 85012-2913



1671231.1

PUBLIC NOTICE OF HEARING ON THE
APPLICATION OF VALLEY TELEPHONE COOPERATIVE, INC.
FOR EXTENSION OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY
TO PROVIDE TELECOMMUNICATION SERVICES
IN COCHISE COUNTY
Docket No. T-01847A-05-0171
Docket No. T-01051B-05-0171

On March 9, 2005, Valley Telephone Cooperative, Inc. ("Applicant") filed an application with the Arizona Corporation Commission ("Commission") for an extension of its Certificate of Convenience and Necessity to provide telecommunication services within an area of Cochise County. If the application is granted, Applicant will be the provider of local exchange service and other telecommunication services in the requested service territory, and will be required by the Commission to provide service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, and in Tucson, at 400 West Congress Street, Suite 218, Tucson, Arizona, and at the offices of the Applicant, P.O. Box 970, Willcox, Arizona 85644.

The Commission will hold a hearing on this matter beginning **June 23, 2005, at 10:00 a.m.**, at the Commission's offices, Room 222, 400 West Congress Street, Tucson, Arizona. Public comment will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene in the proceedings and participate as a party. You may have the right to intervene in the proceeding. Intervention will be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **June 6, 2005**. Persons desiring to intervene must file a written motion to intervene with the Commission and send such motion to Applicant or its counsel and to all parties of record. The motion must, at a minimum, contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different from that of the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer or potential customer of the Applicant, a shareholder of the Applicant, etc.).
3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

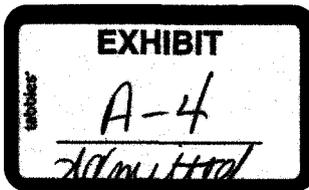
The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public

comment on the applications. You will not receive any further notice of this proceeding unless you request it.

If you have any questions about these applications, or want further information on intervention, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail LHogan@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
MARC SPITZER
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 MAY 25 P 3:38

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<p>IN THE MATTER OF THE APPLICATION OF VALLEY TELEPHONE COOPERATIVE, INC. FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY IN COCHISE COUNTY</p>	<p>DOCKET NO. T-01847A-05-0171 DOCKET NO. T-01051B-05-0171</p> <p>NOTICE OF MAILING NOTICE OF HEARING TO PROPERTY OWNERS</p>
--	--

In accordance with the Procedural Order dated April 21, 2005, in the above-referenced dockets, Valley Telephone Cooperative, Inc. published notice of the above-captioned application and the hearing to be held regarding the same in *The Arizona Range News* on May 11, 2005. An Affidavit of Publication from *The Arizona Range News* is attached hereto.

RESPECTFULLY SUBMITTED this 25th day of May, 2005.

Jeffrey W. Crockett
Deborah R. Scott
SNELL & WILMER
One Arizona Center
Phoenix, Arizona 85004
(602) 382-6571
Attorneys for Valley Telephone Cooperative

Snell & Wilmer

LLP

LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 ORIGINAL and fifteen (15) copies
2 of the foregoing filed this 25th day
3 of May, 2005, with:

4 Docket Control
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 A COPY of the foregoing hand-delivered
9 this 25th day of May, 2005, to:

10 Christopher C. Kempley, Chief Counsel
11 Legal Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Ernest G. Johnson, Director
16 Utilities Division
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 A COPY of the foregoing mailed
21 this 25th day of May, 2005, to:

22 Norm Curtright, Staff Attorney-Policy and Law
23 QWEST CORPORATION
24 3033 North 3rd Street
25 Room 1010
26 Phoenix, Arizona 85012

27 Timothy Berg, Esq.
28 Fennemore Craig PC
29 3003 N. Central Ave.
30 Suite 2600
31 Phoenix, AZ 85012-2913

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STATE OF ARIZONA)
)
) ss.
COUNTY OF COCHISE)

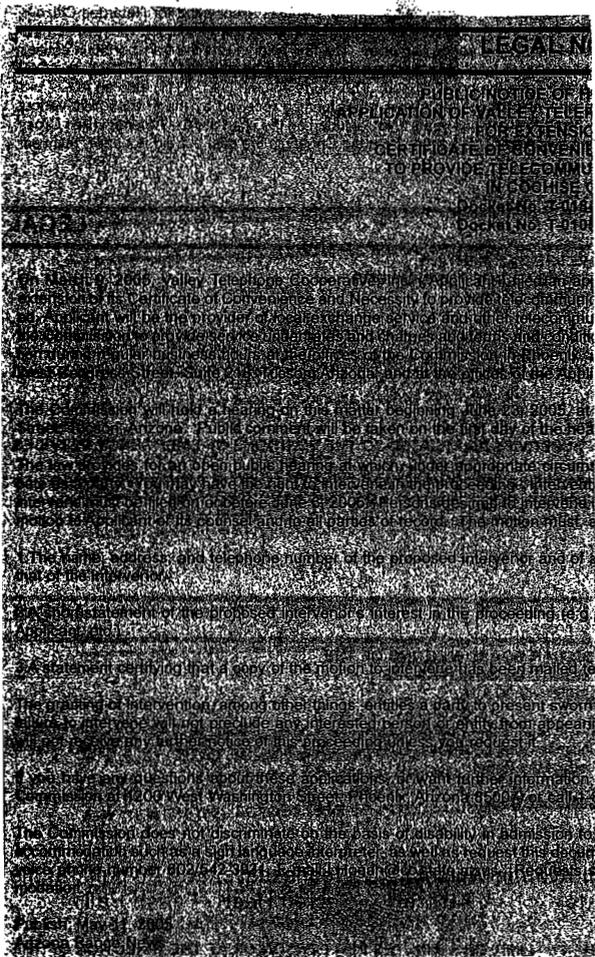
AFFIDAVIT OF PUBLICATION

THERESA CLARK

Theresa Clark

being first

duly sworn, deposes and says: That (he) (she) is the Agent to the Publisher of the SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS newspapers printed and published weekly in the County of Cochise, State of Arizona, and of general circulation in the city of Benson, County of Cochise, State of Arizona and elsewhere, and the hereto attached



**PUBLIC NOTICE
TELEPHONE COOP
EXTENTION**

was printed and published correctly in the regular and entire issue of said SAN PEDRO VALLEY NEWS-SUN and or ARIZONA RANGE NEWS for

1 issues, that the first was
made on the 11th day of MAY 20⁰⁵
and the last publication thereof was made on the 11th day of
MAY 20⁰⁵ that said publication

was made on each of the following dates, to wit:

05/11/05

Request of

SNELL & WILMER LLP LAW OF

**San Pedro Valley News-Sun
Arizona Range News**

By

Susan C. Perry
Subscribed sworn to before me this 11th day of MAY

20⁰⁵

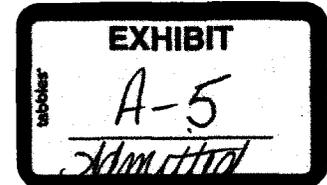


Notary Public State of Arizona
Cochise County
Susan C Perry
Expires October 18, 2006

Notary Public in and for the County of Cochise, Sate of Arizona

My Commission Expires: October 18, 2006

DECONCINI McDONALD YETWIN & LACY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW



JOHN C. LACY
jlacy@dmyl.com

2525 EAST BROADWAY BOULEVARD • SUITE 200
TUCSON, ARIZONA 85716-5300
(520) 322-5000 • (520) 322-5585 (Fax)
OFFICES IN: PHOENIX, ARIZONA
FLAGSTAFF, ARIZONA
WASHINGTON, D.C.
www.deconcinimcdonald.com

June 15, 2005

Charles Irwin
Chief Civil Deputy
Cochise County Attorneys' Office
P. O. Drawer CA
Bisbee, AZ 85603

RECEIVED

JUN 20 2005

SNELL & WILMER

RE: Telecommunications Franchise; Valley Telephone Cooperative

Dear Charlie:

I have enclosed a form of a franchise to expand the existing franchise area of Valley Telephone Cooperative, Inc., to include all of Cochise County. You may recall that based on our telephone conversations, the franchise originally granted to Valley Telephone in 1964 only covered specified areas. Valley has a current boundary extension application is pending before the Arizona Corporation Commission that affects one customer along Dragoon Road and there are other areas that may also be affected under current and future operations. In addition, two of Valley's subsidiaries, Copper Valley Telephone and Valley Connections, LLC, already have county-wide telecommunication franchises.

I have accordingly enclosed a proposed expanded franchise for Valley Telephone Cooperative containing identical language to the most recent franchise granted to Valley Connections (copy enclosed for your convenience) with the exception of the first recital where I have indicated the existence of the 1964 franchise.

I will be sending this on to the Board of Supervisors within the next couple of days (I will copy you in the transmittal), but if in the meantime you have any questions or concerns, please don't hesitate to call me.

Very truly yours,

A handwritten signature in black ink, appearing to be "John C. Lacy", written over a circular scribble.

John C. Lacy

lc
c w/enc (new form only): Judy Bruns
Steve Metts
Jeff Crockett

I:\FILES\DOCS\VALLO3\990134\LTR\EI7023.DOC

RESOLUTION NO. 05 - _____

**GRANTING A TELECOMMUNICATIONS SERVICES FRANCHISE TO
VALLEY TELEPHONE COOPERATIVE, INC.**

KNOW ALL MEN BY THESE PRESENTS, THAT,

WHEREAS, VALLEY TELEPHONE COOPERATIVE, INC., an Arizona corporation, was granted a franchise by the Board of Supervisors of Cochise County, Arizona, on August 3, 1964, to erect, construct, operate and maintain telephone lines across, over and along public roads and highway, and streets, and alleys of unincorporated cities, towns and villages within specified areas of Cochise County; and

WHEREAS, VALLEY TELEPHONE COOPERATIVE, INC., wishes to expand the area included within its franchise to extend to all of Cochise County, and has applied and petitioned, pursuant to A.R.S. §§ 40-283 and 9-583, to the Board of Supervisors of Cochise County, Arizona, for the right, privilege, license, and franchise to construct, install, operate, and maintain along over, under and across the streets, alleys, and highways, within the County, facilities for the purpose of maintaining and operating a telecommunication system, and all other facilities and improvements necessary for local network and intrastate telecommunications services; and

WHEREAS, reasonable public notice of this Application has been provided in the manner required by A.R.S. §§ 40-283 of the filing of said Application and of the public hearing on this matter set for _____, _____, 2005, at _____ P.M., at the regular meeting place of the Board in the City of Bisbee, Arizona, as the time and place for the consideration of the matter; and

WHEREAS, it appears from the affidavit of publication of the Bisbee Observer that due and regular notice of said date, time, and place set for the consideration of such action has been published once a week for three (3) consecutive weeks prior to the said date of the hearing, to-wit: in the issues of the ___ day of _____ 2005; the ___ day of _____ 2005; and the ___ day of _____ 2005, of said newspaper, and the matter being called at _____ o'clock P.M., and it appearing that the Board of Supervisors has not received a petition signed by more than 50% of the qualified electors of said County asking the Board to deny said Application on or before the date set for consideration thereof; and

WHEREAS, said Application came on regularly to be heard on the _____ day of _____ 2005, before the Board of Supervisors of Cochise County, and the Board considered the Application for the franchise, and there being good

cause to grant this Application,

NOW, THEREFORE, it being determined by the Board of Supervisors of Cochise County that the grant of this franchise is regular, proper, authorized by law and in the best interest of Cochise County, and the inhabitants thereof;

NOW, THEREFORE, IT IS HEREBY ORDAINED:

1. That this Board of Supervisors of Cochise County, Arizona, acting for and on behalf of said County (the "County"), does hereby grant unto VALLEY TELEPHONE COOPERATIVE, INC. (hereinafter called "Grantee") a nonexclusive right, privilege, license, and franchise (hereinafter "the franchise") to construct, install, operate, and maintain along, over, under and across the streets, alleys, and highways under the jurisdiction of the County, facilities for the purpose of maintaining and operating a telecommunications system, and all other facilities and improvements necessary for telecommunications. This grant does not include the authorization to use State highways and those areas within the corporate boundaries of any city or town. This grant is subject to the terms, conditions, and limitations expressed below or incorporated herein by reference.
2. The County reserves the right to impose future restrictions, limitations and conditions upon the exercise of the rights granted herein as it deems best for the public safety and welfare. The Grantee is further required to comply with all lawful, applicable ordinances of Cochise County regulating the conduct of work within the public rights-of-way; as such ordinances are now enacted or may be amended or adopted from time to time. The Grantee is required to obtain a separate Right-of-Way Use Permit from the County prior to initiating any construction in the right-of-way and to pay the applicable fees for the associated inspections.
3. The franchise granted hereby shall not be exclusive, and nothing herein shall be construed to prevent the County from granting other like or similar franchises to any other person, firm, or corporation.
4. The Grantee shall bear all expenses and costs, including damages and compensation for the alteration of the direction, surface, grade, or alignment of a public roadway or for revenues lost by the Grantee, which may arise in connection with its exercise of the rights granted herein.
5. The Grantee shall erect, construct, and maintain all facilities authorized herein in a good and workmanlike manner and in compliance with all valid laws, ordinances, and regulations, which may be in force from time to time. All such work shall be performed in such a manner as may be necessary to avoid any unreasonable damage, disturbance, or modification to existing public rights-of-

ways, including roads, streets, highways, bridges, borrow ditches or shoulders thereon.

6. The Grantee shall, immediately upon erecting, constructing, replacing or repairing its facilities, or any part thereof, at its own cost and expense, restore any effected public right-of-way, including any road, street, highway, bridge, borrow ditch or shoulder thereon, to not less than the same condition which existed prior to the Grantee's action.

7. The County does not waive or relinquish any rights it may have to the full and complete use of the public rights-of-way subject to this franchise, whether for road purposes or otherwise. The rights of the County in and to the use of the right-of-way are, and shall be, paramount and superior to the rights of the Grantee. In the event that the location of the Grantee's facilities may interfere or conflict with the County's use, expanded use, alteration, improvement, or maintenance of the County's rights-of-way, the County may require the Grantee to relocate, at the Grantee's expense, all facilities which give rise to such interference or conflict. The County will provide the Grantee with reasonable notice of any relocation requirement and will provide a reasonable period of time for the Grantee to perform such relocation.

8. The Grantee assumes the sole responsibility for all liability for any injury or damage to any person or property, or to the road and right-of-way itself, caused by or arising out of the exercise of the rights granted herein and attributable to any act or omission of the Grantee. The Grantee shall indemnify, defend and hold harmless Cochise County, its officers, departments, employees and agents from and against any and all suits, actions, legal or administrative proceedings, claims, demands or damages of any kind or nature, including all costs of legal defense, arising out of the exercise of these rights which are attributed to any act or omission of the Grantee, its agents, employees, or anyone acting under its direction, control or on its behalf.

9. The County grants this franchise for a term of five (5) years from the date of its authorization. This franchise may not be sold, leased, assigned, conveyed or transferred in any manner, in whole or in part, including pursuant to the sale or merger of the Grantee corporation itself, without the express written consent of the County, which consent shall not be unreasonably withheld.

10. The County reserves the right to alter or amend the terms of this franchise in any manner necessary to protect the safety or welfare of the public or the public interest. This reservation includes, but is not limited to, the authority to impose such amended franchise fees, rentals or use payments, or other form of compensation or assessment as the County may be authorized, now or in the future, to impose under the laws of the State of Arizona and the United States.

11. The County may terminate this franchise in the event that the Grantee fails to comply with the terms and conditions of this franchise. The Board of Supervisors, or its designee, shall provide the Grantee with written notice of noncompliance and allow the Grantee a period of not less than sixty (60) days to remedy any breach. If the Grantee continues to fail to comply with the terms of this franchise after this notice and remedy period, the Board of Supervisors may, following a public hearing, revoke all rights granted herein and render this franchise null and void.

12. Upon termination of the franchise, whether by expiration or its term, or for cause, or by voluntary abandonment, and after written notice from the County, the Grantee may remove all of its facilities, installed pursuant to the rights granted herein within one hundred eighty (180) days of such termination, and shall repair any damages caused thereby. All such facilities which are not removed within this period shall be deemed to be abandoned and shall become the property of the County.

13. This franchise will not be effective for any purpose until the Grantee has indicated its acceptance in writing below.

14. The rights, privileges, and franchise granted herein are made pursuant to the laws of Arizona, including A.R.S. §§ 40-283 and 9-582, *et seq.*, which are incorporated herein by reference.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Cochise, State of Arizona, has caused these presents to be executed and signed by the Chairman of the Board of Supervisors on this ____ day of _____ 2005.

BOARD OF SUPERVISORS

COUNTY OF COCHISE:

Chairman

ATTEST:

Clerk, Board of Supervisors

ACCEPTANCE OF FRANCHISE

This is to certify that the Grantee, VALLEY TELEPHONE COOPERATIVE, INC., has on the ____ day of _____, 2005, accepted the foregoing franchise. Grantee agrees that it will be bound by, observe, and carry out the terms and conditions of such franchise.

Dated: _____

GRANTEE:

VALLEY TELEPHONE COOPERATIVE, INC.

By: _____
David Thompson, President

CERTIFICATE OF CLERK

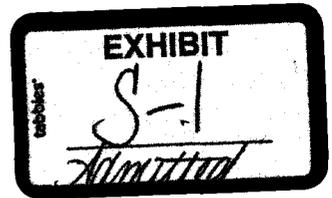
I, _____, Clerk of the Board of Supervisors of Cochise County, Arizona, do hereby certify that the foregoing excerpt from the minutes of the meeting of the Board of Supervisors of Cochise County, Arizona, held on _____, 2005, constitutes a true and correct copy of the said minutes insofar as they relate to the Application of VALLEY TELEPHONE COOPERATIVE, INC., an Arizona corporation, for a telecommunications franchise in the County and to the granting of said franchise pursuant to the resolution hereinabove set out, all as appears in the official records of the Board of Supervisors.

IN WITNESS WHEREOF, I have set my hand and official seal of the Board of Supervisors of Cochise County, Arizona, this _____ day of _____, 2005.

**DEPUTY CLERK, BOARD OF SUPERVISORS
COCHISE COUNTY, ARIZONA**

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COPY



MEMORANDUM RECEIVED

2005 MAY 27 A 9:40

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: May 27, 2005

RE: STAFF REPORT IN THE MATTER OF THE APPLICATION OF VALLEY TELEPHONE COOPERATIVE, INC. TO EXTEND ITS CERTIFICATE OF CONVENIENCE AND NECESSITY IN COCHISE COUNTY (DOCKET NOS. T-01847A-05-0171 AND T-01051B-05-0171)

Attached is the Staff Report for Valley Telephone Cooperative, Inc.'s Application to extend its Certificate of Convenience and Necessity to provide facilities-based local exchange telecommunications services. Staff recommends that the Application be approved.

EGJ:RLB:cal

Originator: Richard Boyles

Attachment: Original and Thirteen Copies

Arizona Corporation Commission

DOCKETED

MAY 27 2005

DOCKETED BY	<i>KA</i>
-------------	-----------

Service List for: VALLEY TELEPHONE COOPERATIVE, INC.
Docket Nos. T-01847A-05-0171 and T-01051B-05-0171

Ms. Deborah R. Scott
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Ms. Judy Bruns
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Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

VALLEY TELEPHONE COOPERATIVE, INC.

DOCKET NOS. T-01847A-05-0171 and T-01051B-05-0171

**APPLICATION TO EXEND ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY
IN COCHISE COUNTY**

MAY 2005

STAFF ACKNOWLEDGMENT

The Staff Report for Valley Telephone Cooperative, Inc. (Docket Nos. T-01847A-05-0171 and T-01051B-05-0171) was the responsibility of the Staff member listed below. Richard Boyles was responsible for the review and analysis of the Company's Application.

A handwritten signature in cursive script, appearing to read "Richard Boyles", is written above a horizontal line.

Richard Boyles
Utilities Engineer

EXECUTIVE SUMMARY
VALLEY TELEPHONE COOPERATIVE, INC.
DOCKET NOS. T-01847A-05-0171 and T-01051B-05-0171

Valley Telephone Cooperative, Inc. ("Valley" or "the Company") is seeking to extend its Certificate of Convenience and Necessity ("CC&N") in Cochise County to include the western half of Section 8 of Township 16 South, Range 24 East. The extension area requested by Valley is included in the Wilcox Exchange service area map of Qwest Corporation ("Qwest"). According to Qwest, there are no Qwest telecommunications facilities and no Qwest customers within the extension area. Qwest notified Valley that it would be willing to agree to the transfer of this area from the Qwest Wilcox Exchange to the Valley Pearce Exchange.

Valley states that it intends to provide the extension area with those local exchange services identified in Valley's current tariffs, including custom calling and high-speed data services. The Company requests that the Arizona Corporation Commission ("Commission") authorize it to charge those rates and charges in the extension area that are contained in its tariffs on file with the Commission.

The only current resident in the extension area has been in contact with Valley and informed of the Company's rates and policies. According to Valley, the resident supports the transfer of the extension area from Qwest to Valley. If the Commission approves the transfer, Valley could begin serving this customer without delay.

Valley generally asserts that the public interest, convenience and necessity would be served by granting its Application for the following reasons: 1) Valley has received a request for telephone service from a person residing in the extension area, 2) It is not economically feasible for this potential customer to obtain service from Qwest, 3) Qwest has agreed to the proposed transfer and 4) Valley is ready, willing and able to provide telephone service to customers within the extension area and customers would not be required to pay construction charges. Staff agrees that the public interest would be served in this case by granting Valley's Application. Staff is not aware of any customer opposition to Valley's Application.

Staff recommends that transfer of the extension area from Qwest to Valley be approved subject to the following conditions.

- 1) Valley and Qwest should be required to update and docket their respective Tariffs within thirty (30) days of a Commission Decision to reflect the transfer of the extension area.
- 2) Valley should be ordered to charge its existing rates and charges in the extension area until further Order of the Commission.
- 3) Valley shall apply to extend its existing Cochise County Franchise within thirty (30) days of a Commission Decision approving its Application.
- 4) Valley shall docket an update to its franchise with Cochise County, which includes the extension area, within 365 days of the effective date of a Decision approving its Application.

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I. Procedural History

On March 9, 2005, Valley Telephone Cooperative, Inc. ("Valley" or "the Company") filed an Application to extend its Certificate of Convenience and Necessity ("CC&N") in Cochise County.

On April 7, 2005, Staff filed a Letter of Sufficiency on Valley's Application.

On April 22, 2005, a Procedural Order was issued which set the matter for hearing and ordered Staff to file its Staff Report by June 1, 2005.

On April 28, 2005, Qwest Corporation ("Qwest") filed a letter which corrected an April 27, 2005 filing and stated that Qwest supports the transfer of territory from Qwest to Valley. Attached to the letter was a revised Wilcox Exchange Map reflecting the proposed transfer. Qwest requested the map become effective as of the date of a Commission Decision approving Valley's Application.

II. Background

Valley currently provides certificated telephone service to a number of rural communities in Arizona. Valley's certificated service area in Arizona includes portions of Cochise and Graham Counties. Valley's service area is divided into the following six exchanges: Bonita, Bowie, Pearce, Portal, San Simon and Sunizona. Valley was serving 4,566 access lines in Arizona as of December 31, 2003.¹

Valley is seeking to extend its CC&N in Cochise County to include the western half of Section 8 of Township 16 South, Range 24 East (the "extension area"). The extension area would be served by Valley's Pearce Exchange which is contiguous to the west and south boundaries of the extension area. The extension area requested by Valley is included in the Wilcox Exchange service area map of Qwest. See map, attached hereto as Attachment A.

Valley has already placed facilities near the extension area to serve its own customers. Valley asserts these facilities could be used to extend service to the requested extension area.

Valley's Pearce Exchange does not have two-way Extended Area Service ("EAS") with Qwest's Wilcox Exchange. Therefore, customers of both companies currently pay toll charges to call between Valley's Pearce Exchange and Qwest's Wilcox Exchange.

¹ Per the 2003 Annual Report Valley filed with the Commission.

III. Position of the Parties

A. Valley

Valley requests Commission authorization to provide basic local exchange and toll access telephone service to a requesting customer, as well as any future potential customers, in the extension area which is contiguous to Valley's existing service area. Valley states in its Application that the area requested is located in Qwest's service area but Qwest has confirmed that it would agree to relinquish the area to Valley.² A resident living in the extension area has requested service from Valley.³

Valley states that it intends to provide the extension area with those local exchange services that are identified in Valley's current tariffs⁴. This would include services such as basic local exchange service, touch-tone service, high-speed data services, access to emergency services (911) and Lifeline and Link-Up services for low income subscribers. Valley's proposed telephone plant will include copper cable loops designed to support broadband circuits, fiber optic cable transport facilities, digital loop carrier and modern digital switching.⁵

Valley states in its Application that, upon information and belief, Qwest has no facilities in the extension area. Valley asserts that the potential customer in the extension area would be required to pay significant construction charges for the extension of Qwest facilities. The Company further states it has existing facilities that could be used to extend service to this potential customer. Valley has estimated that it would cost approximately \$37,000 for the needed cable extensions⁶. However, the customer would not be required to pay for construction charges since the extension of service will be funded through monies made available from the Rural Utilities Service ("RUS"). If the Commission approves the transfer, Valley could begin serving the customer in the area almost immediately.⁷

Valley will fund service to the extension area using general funds and no additional financing will be required. Finally, Valley believes the public interest will be served by approval of its Application.⁸

B. Qwest

Valley contacted Qwest in the approximate time frame of August, 2004 about serving a resident located in the extension area. On January 19, 2005, Qwest notified Valley that it would

² See Application, Introduction, page 1.

³ See Application, Section II, page 2.

⁴ See Application, Section IV, page 3.

⁵ Refer to Valley's response to Staff Data Request STAFF 2.5 and 2.7.

⁶ Refer to Valley's response to Staff Data Request STAFF 1.3.

⁷ See Application, Section II, page 2 and Valley's response to Staff Data Request STAFF 2.8.

⁸ See Application, Section VII, page 3.

be willing to agree to the transfer of this area from the Qwest Wilcox Exchange to the Valley Pearce Exchange.⁹

Qwest has no telecommunications facilities and no customers within the extension area.¹⁰ Qwest however is serving customers in the eastern half of Section 8 and was only willing to agree to transfer the western half of this Section to Valley.¹¹

In response to Staff discovery, Qwest stated that the customer placed an order for new service on July 9, 2004. On July 23, 2004, a letter was mailed to the customer quoting ~~\$9,835.53~~ 9,385.53 for construction charges. No response was received from the customer and Qwest cancelled the order on September 1, 2004.¹² Staff reviewed the estimate and believes it to be reasonable and consistent with Qwest's tariff.

When asked if Qwest had investigated whether there may be additional potential customers located in the extension area, Qwest's response was yes. When asked if the Qwest facilities that would have to be constructed to serve this customer would be capable of supporting high speed internet service, Qwest's response was no.¹³

Qwest supports the transfer of the extension area to Valley and requests that the Commission approve Valley's Application.¹⁴ Qwest has provided a revised map of the Qwest Wilcox Exchange reflecting the proposed transfer. Qwest requests that these revisions become effective as of the effective date of a Commission Decision approving Valley's Application.

IV. Staff Analysis and Recommendations

A. Staff Analysis

If Valley's Application is granted, customers in the extension area would be subject to the same tariffed rates, terms and conditions that apply to other Valley Pearce Exchange customers.¹⁵ The monthly per residence access line rate in the Pearce exchange is \$13.75.¹⁶ Qwest's per line rate for Residence Flat Rate Service is \$13.18 per month within the exchange Base Rate Area ("BRA"). Since the extension area is located outside the Wilcox BRA in Zone 2, an additional monthly Exchange Zone Increment charge of \$3.00 would be added to the \$13.18 for a monthly rate of \$16.18.¹⁷

⁹ Refer to Qwest's response to Staff Data Request STAFF1.10 and Application Attachment A.

¹⁰ Refer to Qwest's response to Staff Data Request STAFF 1.6.

¹¹ Refer to Qwest's response to Staff Data Requests STAFF 1.7 through 1.9.

¹² Refer to Qwest's response to Staff Data Request STAFF 1.2.

¹³ Refer to Qwest's response to Staff Data Request STAFF 2.1.

¹⁴ Refer to Qwest letter filed on April 28, 2005.

¹⁵ See Application, Section IV, page 3.

¹⁶ Per Valley Telephone Cooperative, Inc. ACC Tariff Number 2, Section 20.5.

¹⁷ Per Qwest's Exchange and Network Services Price Cap Tariff, Exchange Services, Sections 5.1.6 and 5.2.4.

If Valley's Application is granted, potential customers in the extension area would have local calling within Valley's Pearce Exchange instead of Qwest's Wilcox Exchange. There is no extended area service ("EAS") for local calling between the two exchanges. Valley states the resident that requested service is aware of the difference in local calling area and does not oppose the change¹⁸. Further, it is Staff's understanding that there are no other residents at this time in the extension area. There would be no difference in how emergency calls (i.e. 911) are routed¹⁹.

Valley and Qwest are both incumbent local exchange carriers and both would need to build facilities to serve the extension area. Valley has already constructed facilities adjacent to the extension area to serve customers in its existing service area. Valley has estimated that it would only need to make minimal cable extensions and service drops to provide its service. Valley has estimated that it would only cost approximately \$37,000 for the needed cable extensions. Furthermore, the customer would not be required to pay any of these costs. Qwest on the other hand, in accordance with its tariff²⁰, would charge the customer a rural construction charge of \$9,385.53²¹ per line.

Because of the proximity of its existing cable, Valley could begin serving the customer in the extension area within four (4) days of a Commission Decision approving its Application.²² Qwest's quote to the customer did not specify a time frame for construction; only that the required work would not commence until Qwest received signed contracts and payment. However, Qwest's tariff requires it to complete this construction within six months²³.

Valley and Qwest both use state-of-the-art telecommunications facilities to provide service in their respective service areas. If Valley's Application is granted, it will offer a full complement of modern telecommunications services, including high-speed internet access service, to customers in the extension area. Qwest in its response to Staff Data Request STAFF 2.1 indicated that its facilities, if extended, would not support high-speed internet access service.

Staff believes that Valley's average cost per customer would not change significantly as a result of Valley's serving the extension area. Any impact on Valley's federal universal service fund support would be minimal.²⁴ Valley will fund service to the extension area using general funds and no additional financing will be required²⁵.

The customer is aware that he is currently located in Qwest's service area as evidenced by the service order that lead to the July 23, 2004 quotation. The customer has chosen not to obtain service from Qwest. The customer subsequently has requested Valley to provide voice

¹⁸ Refer to Valley's response to Staff Data Request STAFF 2.2.

¹⁹ Refer to Valley's response to Staff Data Request STAFF 2.4.

²⁰ Refer to Qwest's Arizona Exchange and Network Services Price Cap Tariff, Section 4.2.2.

²¹ This amount is the net amount after Qwest has deducted a \$3,000 allowance.

²² Refer to Valley's response to Staff Data Request STAFF 2.8.

²³ Refer to Qwest's Arizona Exchange and Network Services Price Cap Tariff, Section 4.1.K.

²⁴ Refer to Valley's response to Staff Data Request STAFF 1.5.

²⁵ Refer to Valley's response to Staff Data Request STAFF 3.1.

and broadband services. Further, on August 23, 2004, the resident contacted the Commission's Consumer Services Section inquiring about the possibility of receiving service from Valley.

A total of one complaint against Valley has been received by the Consumer Service's Section for the past three years (2002-2004).

B. Staff Recommendations and the Public Interest

Valley generally asserts that the public interest, convenience and necessity would be served by granting its Application for the following reasons: 1) Valley has received a request for telephone service from a person residing in the extension area, 2) It is not economically feasible for this potential customer to obtain service from Qwest, 3) Qwest has agreed to the proposed transfer and 4) Valley is ready, willing and able to provide telephone service to customers within the extension area and customers would not be required to pay construction charges. Staff agrees that the public interest would be served in this case by granting Valley's Application.

Staff recommends that transfer of the extension area from Qwest to Valley be approved subject to the following conditions.

- 1) Valley and Qwest should be required to update and docket their respective Tariffs within thirty (30) days of a Commission Decision to reflect the transfer of the extension area.
- 2) Valley should be ordered to charge its existing rates and charges in the extension area until further Order of the Commission.
- 3) Valley shall apply to extend its existing Cochise County Franchise within thirty (30) days of a Commission Decision approving its Application.
- 4) Valley shall docket an update to its franchise with Cochise County, which includes the extension area, within 365 days of the effective date of a Decision approving its Application.

V. Conclusion

Staff is not aware of any customer opposition to Valley's Application. Staff recommends that the Commission find that Valley's Application for an extension to its CC&N is in the public interest. Staff further recommends that Valley's Application be approved subject to the conditions discussed above.

ATTACHMENT A

VALLEY TELEPHONE COOPERATIVE, INC.

DOCKET NO. T-01847A-05-0171

