



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission
DOCKETED

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

SEP 09 2005

DOCKETED BY [Signature]

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

DECISION NO. 68117

OPINION AND ORDER

DATE OF HEARING:

June 23, 2005

PLACE OF HEARING:

Tucson, Arizona

ADMINISTRATIVE LAW JUDGE:

Jane L. Rodda

APPEARANCES:

Ms. Deborah R. Scott, SNELL &
WILMER LLP, on behalf of Valley
Telephone Cooperative, Inc.; and

Mr. Jason Gellman, Staff Attorney, Legal
Division, on behalf of the Utilities
Division of the Arizona Corporation
Commission.

BY THE COMMISSION:

* * * * *

Having considered the entire record herein and being fully advised in the premises, the
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

- 1. On March 9, 2005, Valley Telephone Cooperative, Inc. ("Valley Telephone" or "Company") filed with the Arizona Corporation Commission ("Commission") an Application to Extend its Certificate of Convenience and Necessity ("CCN" or "Certificate") in Cochise County.
- 2. Valley Telephone is seeking to extend its CCN in Cochise County to include territory that is currently included in the Wilcox Exchange service area map of Qwest Corporation ("Qwest").
- 3. On April 7, 2005, Commission Utilities Division Staff ("Staff") notified Valley

1 Telephone that the application was sufficient pursuant to the requirements of the Arizona
2 Administrative Code.

3 4. By Procedural Order dated April 22, 2005, procedural guidelines and deadlines were
4 established, and the matter was set for hearing at the Commission's offices in Tucson, Arizona.

5 5. On April 28, 2005, and June 16, 2005, Qwest filed letters which indicate that Qwest
6 supports the transfer of service territory from Qwest to Valley Telephone, and that Qwest has no
7 issues with respect to the Staff Report.

8 6. On May 2, 2005, Valley Telephone mailed notice of the hearing to all property owners
9 in the proposed extension area. On May 11, 2005, Valley Telephone published notice of the hearing
10 in *The Arizona Range News*, a newspaper of general circulation in its serviced area.

11 7. On May 27, 2005, Staff filed its Staff Report that recommends approval of the
12 application.

13 8. Valley Telephone currently provides telephone service to a number of rural
14 communities in portions of Cochise and Graham Counties. Valley Telephone has six exchanges:
15 Bonita, Bowie, Pearce, Portal, San Simon and Sunizona. As of December 31, 2003, Valley
16 Telephone was serving 4,566 access lines.

17 9. Valley Telephone is seeking to extend its CC&N to include the western half of Section
18 8 of Township 16 South, Range 24 East in Cochise County, as set forth in Exhibit A attached hereto.

19 10. A potential customer in the extension area contacted Qwest in July 2004 requesting
20 service. Qwest sent the customer a letter indicating that construction charges would be \$9,385.53.
21 Qwest did not hear back from the customer.

22 11. Staff reviewed Qwest's estimate of construction charges and believes it to be
23 reasonable and consistent with Qwest's tariff. Qwest indicated in response to Staff's inquiry that the
24 facilities it would be able to extend would not be capable of supporting high speed internet service.

25 12. After Qwest received an inquiry for service, Valley Telephone received a request for
26 telephone and DSL service from a resident living in the extension area.

27 13. Although Valley Telephone estimates that it would cost \$37,000 to construct the
28 facilities needed to serve this customer, Valley Telephone would not impose construction charges as

1 the extension would be funded through funds made available from the Rural Utilities Service
2 ("RUS"). Valley Telephone would only have to install a little over a mile of cable to serve the
3 customer in the extension area.

4 14. Under Valley Telephone's tariff, the customer in the extension area would be charged
5 a monthly charge of \$13.75. Under Qwest's tariff's the customer would incur a monthly charge of
6 \$16.18, comprised of the Residence Flat Rate Service of \$13.18, plus an additional Exchange Zone
7 Increment charge of \$3.00.

8 15. Valley Telephone estimates that it could begin serving the customer within several
9 days of a Commission Decision approving its Application.

10 16. Valley Telephone will be able to offer a full compliment of telecommunications
11 services, including basic local exchange service, touch-tone service, high-speed data services, access
12 to emergency services (911) and Lifeline and Link-up services for low-income subscribers.

13 17. Staff believes the Valley Telephone's average cost per customer would not change
14 significantly as a result of serving the extension area, and that any impact on Valley Telephone's
15 universal service fund support would be minimal. Valley Telephone will fund service to the
16 extension area using general funds and no additional financing will be required.

17 18. Qwest has no facilities and no customers in the extension area.

18 19. Valley Telephone has facilities near the extension area to serve its own customers.

19 20. The extension area would be served by Valley Telephone's Pearce Exchange which
20 area is contiguous to the west and south boundaries of the proposed extension area.

21 21. Valley Telephone's Pearce exchange does not have two-way Extended Area Service
22 ("EAS") with Qwest's Wilcox Exchange. Thus, customers of both companies pay toll charges to call
23 between Valley Telephone's Pearce Exchange and Qwest's Wilcox Exchange.¹

24 22. Staff believes the application is in the public interest because: 1) Valley Telephone
25 received a request for service from a person living in the extension area; 2) it is not economically
26 feasible for the potential customer to receive service from Qwest; 3) Qwest has agreed to the transfer;

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28 ¹ The customer requesting service is aware of the local calling area.

1 and 4) Valley Telephone is ready, willing and able to provide service to customers within the
2 extension area.

3 23. Staff recommends that transfer of the extension area from Qwest to Valley Telephone
4 be approved subject to the following conditions:

5 (a) Valley Telephone and Qwest should be required to update and docket their
6 respective Tariffs within thirty (30) days of a Commission Decision to reflect the transfer of the
7 extension area;

8 (b) Valley Telephone should be ordered to charge its existing rates and charges in the
9 extension area until further Order of the Commission;

10 (c) Valley Telephone apply to extend its existing Cochise County Franchise within
11 thirty (30) days of a Commission Decision approving its Application; and

12 (d) Valley Telephone shall docket an update to its franchise with Cochise County,
13 which includes the extension area, within 365 days of the effective date of a Decision approving its
14 Application.

15 24. Valley Telephone is current with its property and sales taxes.

16 25. Valley Telephone is in compliance with Commission Orders, Rules and regulations.²

17 26. On August 22, 2005, Valley Telephone filed an updated Cochise County Franchise
18 which includes the extension area.

19 **CONCLUSIONS OF LAW**

20 1. Valley Telephone is a public service corporation within the meaning of Article XV of
21 the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

22 2. The Commission has jurisdiction over Valley Telephone and the subject matter of the
23 application.

24 3. Notice of the application was provided in accordance with law.

25 4. There is a public need and necessity for telephone service in the proposed extension
26 area set forth in Exhibit A.

27 ² On July 25, 2005, Valley Telephone filed a Notice of Compliance that indicates it has filed annual reports of
28 diversification activities and plans for the years 2000 through 2004. By its filing, Valley Telephone is in compliance with
Decision No. 64570 (February 26, 2002) and A.A.C. R14-2-805.

1 5. Valley Telephone is a fit and proper entity to receive a CC&N to provide
2 telecommunications service in the proposed extension area.

3 6. Staff's recommendations contained in Findings of Fact No. 23 are reasonable and
4 should be adopted.

5 **ORDER**

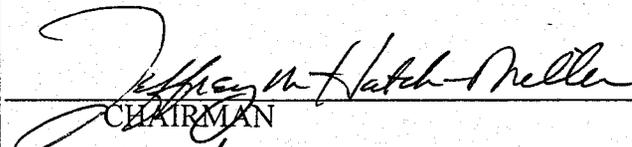
6 IT IS THEREFORE ORDERED that the application of Valley Telephone Cooperative, Inc.
7 for an extension of its Certificate of Convenience and Necessity to provide telecommunication
8 services in Cochise County as described in Exhibit A hereto, is approved.

9 IT IS FURTHER ORDERED that Valley Telephone Cooperative, Inc. shall charge its
10 existing rates and charges within the approved extension area.

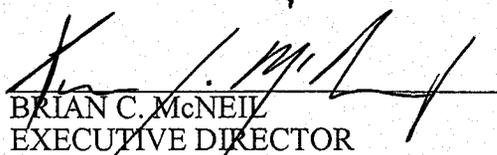
11 IT IS FURTHER ORDERED that Valley Telephone Cooperative, Inc. and Qwest Corporation
12 shall update and docket their Tariffs within thirty (30) days of the effective date of this Decision to
13 reflect the transfer of the extension area.

14 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

15 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

 CHAIRMAN	 COMMISSIONER	
 COMMISSIONER	 COMMISSIONER	 COMMISSIONER

21 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
22 Director of the Arizona Corporation Commission, have
23 hereunto set my hand and caused the official seal of the
24 Commission to be affixed at the Capitol, in the City of Phoenix,
25 this 9th day of Sept., 2005.

26 
BRIAN C. McNEIL
EXECUTIVE DIRECTOR

27 DISSENT _____

28 DISSENT _____

1 SERVICE LIST FOR: VALLEY TELEPHONE COOPERATIVE, INC.

2 DOCKET NO.: T-01847A-05-0171
3 T-01051B-05-0171

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EXHIBIT A

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The West half of Section 8 of Township 16 South, Range 24 East in Cochise County, G&SRB&M.