

GIVENS PURSLEY LLP



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OF COUNSEL

July 14, 2000

Docket Control Center
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007-2927

DOCKET NO. T 02532A-00-0512

Dear Sir or Madam:

I am enclosing for filing, an original and ten copies of Midvale Telephone Exchange, Inc.'s application. The applicant will publish a legal notice within twenty days as required by Commission rules.

I am enclosing a self addressed stamped envelope and a copy of this letter. Please stamp the copy of the letter and return it to me to acknowledge receipt. We do not need a stamped copy of the application.

If you have any questions or comments, please give me a call.

Sincerely yours,

Conley Ward

CEW/nlg

cc: Lane Williams (with encl.)
Karen Williams (with encl.)
Don Reading (with encl.)

Conley E. Ward Idaho State Bar ID#1683
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ATTORNEYS FOR APPLICANTS

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF MIDVALE
TELEPHONE EXCHANGE, INC.'S
APPLICATION FOR AUTHORITY TO
INCREASE RATES AND FOR
DISBURSEMENTS FROM THE ARIZONA
USF

CASE NO. _____

MIDVALE'S APPLICATION

Midvale Telephone Exchange, Inc. ("Midvale" or "Applicant") hereby applies to the Arizona Corporation Commission ("Commission") for an Order authorizing Applicant to increase local exchange rates, provide extended area service and receive distributions from the Arizona Universal Service Fund, all as more fully described herein. In support of this Application, Applicant states as follows:

I.

Applicant is an independently owned local exchange telephone company that provides local exchange and other telecommunication services in the States of Arizona, Oregon, and Idaho. In Arizona, Applicant provides local exchange service

and other telecommunications services to the Young and Cascabel exchanges pursuant to certificates of convenience and necessity issued by the Commission.

II.

Applicant requests that all notices and communications concerning this application be directed to the following individuals at the addresses given below:

Lane Williams
Midvale Telephone Exchange, Inc.
2205 Keithley Creek Road
P. O. Box 7
Midvale, ID 83645
(208) 355-2211
(208) 355-2222 (fax)

With copies to:

Conley E. Ward
Givens Pursley LLP
277 North 6th Street, Suite 200
Boise, ID 83701
(208) 388-1200
(208) 388-1300 (fax)

Don Reading
Ben Johnson Associates
1227 El Pelar
Boise, ID 83702
(208) 342-1700
(208) 384-1511 (fax)

III.

The Commission last established Midvale's local exchange rates in connection with Midvale's 1994 purchase of the Young exchange from U S WEST Communications, Inc. ("U S WEST"). ACC Decision No. 58736, September 1, 1994. At the time of the Young purchase, Midvale committed to a four year freeze in local exchange rates. This rate freeze commitment expired on September 1, 1998.

IV.

The attached pre-filed direct testimony and exhibits of Lane Williams and Don Reading more fully explain Applicants' request for a rate increase and the reasons why the requested increase is just, reasonable, and in the public interest.

V

Applicant has prepared this Application using three alternative revenue requirement scenarios, all of which are based on a calendar 1999 test year. The first alternative ("Base Case") is a traditional test year adjusted for known and measurable changes. This scenario produces a net increase in revenue requirement of \$108,955 per year.

Scenario two ("EAS Case") assumes implementation of extended area service ("EAS") from Midvale's Cascabel exchange to U S WEST's Benson and San Miguel exchanges. Under this alternative, the net increase in revenue requirement is \$144,706 per year.

The final alternative ("Unserved Areas Case") assumes that Midvale extends service to two currently unserved areas, known as Millsite and Silver Bell. Under this alternative, the net revenue requirement increase would be \$181,991 on an annual basis.

VI.

Under all three scenarios, Applicant proposes to rebalance its existing rates. At present, Cascabel's local exchange rates are \$21 per month for both business and residential customers, while the corresponding base rates in Young are \$12.40 for residential customer, plus zone charges, and \$32 for businesses. Applicant proposes to standardize the local rates in both exchanges at \$24 per month for residential

customers and \$32 for businesses. In addition, Applicant proposes to decrease its intrastate access charges in both exchanges to \$.06 per minute. Other proposed rate changes are described in detail in Dr. Reading's testimony and exhibits.

VII.

Under all three scenarios, Applicant will require annual support payments from the Arizona Universal Service Fund to meet its revenue requirement. In the Base Case, Midvale will require annual AUSF payments of \$130,329. The EAS Case requires total annual AUSF draws of \$225,567. Combining the EAS Case with the Unserved Areas Case reduces the annual AUSF draw to \$221,360.

VIII.

The unserved Millsite exchange includes four contiguous subdivisions located about 15 miles south of Prescott, plus the Henderson Valley Ranch subdivision located approximately 15 miles east of Prescott. The proposed Silver Bell exchange, located southwest of Phoenix, includes the contiguous Silver Bell and Sawtooth subdivisions and the non-contiguous Rio Verde subdivision. Maps and legal descriptions of the proposed Millsite and Silver Bell exchanges are attached hereto as Exhibits A and B respectively. A larger map showing both exchanges is attached as Exhibit C.

Millsite has approximately 200 potential customers and Silver Belle approximately 185. Applicant is in the process of securing all local permits and approvals required to extend service to these areas, and will complete this process prior to the Commission's decision in this case.

IX.

A proposed Local Access Tariff, incorporating the changes referenced in the Application and the accompanying testimony, is attached is attached to Dr.

Reading's testimony as Exhibit 7. Applicant proposes that its new rates be made effective with bills issued on and after September 1, 2000.

X.

Applicant stand ready for immediate consideration of this Application under such procedures as the Commission may require.

WHEREFORE, Applicants respectfully request an Order by this Commission:

1. Finding that the proposed increase requested herein is just and reasonable, and authorizing Applicant to increase annual intrastate revenues by \$181,991;
2. Authorizing Applicant to adjust its rates in accordance with the terms of this Application;
3. Authorizing Applicant to provide extended area service in accordance with the terms of this Application;
4. Providing for annual disbursements to Applicant from the Arizona Universal Service Fund in the amount of \$224,567;
4. Amending Applicant's certificate of convenience and necessity to include the currently unserved Millsite and Silver Belle area; and
5. Granting such other relief as the Commission deems just and reasonable in this matter.

RESPECTFULLY SUBMITTED this 14th day of July, 2000.



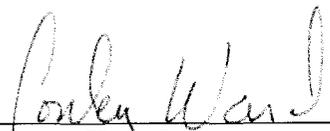
Conley Ward
GIVENS PURSLEY LLP
Attorneys for Applicant

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 14th day of July, 2000, I caused to be served a true and correct copy of the foregoing by the method indicated below, and addressed to the following:

Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

U.S. Mail Fax Hand Delivery Federal Express



Conley Ward
GIVENS PURSLEY LLP
Attorneys for Applicant

MIDVALE TELEPHONE EXCHANGE, INC.
 PROPOSED
 MILLSITE EXCHANGE BOUNDARIES

SHEET 1 OF 2

Rev. 3-26-98

R3W		R2W						R1W		
24	19	20	21	22	23	24	19		T 12-1/2 N	
25	30	29	28	27	26	25	30			
36	31	32	33	34	35	36	31			
1	6	5	4	3	2	1	6		T 12 N	
12	7	8	9	10	11	12	7			
13	18	17	16	15	14	13	18			
24	19	20	21	22	23	24	19			
25	30	29	28	27	26	25	30			
36	31	32	33	34	35	36	31			

RLMCL\mts, 1'-3'
 nstebdry.dwg /12-05-97

MIDVALE TELEPHONE EXCHANGE, INC.
 PROPOSED
 HENDERSON VALLEY SERVICE BOUNDARIES

SHEET 2 OF 2

12-5-97

(Non-contiguous Area for Proposed Millsite, AZ)

R1E	R2E							R3E	
24	19	20	21	22	23	24	19	T 14 N	
25	30	29	28	27	26	25	30		
36	31	32	33	34	35	36	31		
1	2	1	6	5	4	3	2	1	T 13 N
12	11	12	7	8	9	10	11	12	
13	14	13	18	17	16	15	14	13	

RLM(Limits, 1'=3')
 hsonbdry.dwg / 12-05-97

Proposed Millsite Exchange Boundaries Described as Follows:

Rev. 3-26-98

BEGINNING at the southeast corner, Section 1, T-12-N, R-2-W, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona;
THENCE, West to the southwest corner, Section 1, T-12-N, R-2-W;
THENCE, North to the northwest corner, Section 25, T-12 ½ -N, R-2-W;
THENCE, East to the northeast corner, Section 25, T-12 ½ -N, R-2-W;
THENCE, South to the point of the beginning being the southeast corner, Section 1, T-12-N, R-2-W, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

Proposed Non-contiguous Henderson Valley Service Boundaries Described as Follows:

BEGINNING at the southeast corner, Section 33, T-14-N, R-2-E, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona;
THENCE, West to the southwest corner, Section 32, T-14-N, R-2-E;
THENCE, North to the northwest corner, Section 29, T-14-N, R-2-E;
THENCE, East to the northeast corner, Section 27, T-14-N, R-2-E;
THENCE, South to the southeast corner, Section 27, T-14-N, R-2-E;
THENCE, West to the southeast corner, Section 28, T-14-N, R-2-E;
THENCE, South to the point of the beginning being the southeast corner, Section 33, T-14-N, R-2E, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

MIDVALE TELEPHONE EXCHANGE, INC.
 PROPOSED
 SILVER BELL EXCHANGE BOUNDARIES

SHEET 1 OF 2

12-5-97

R6E						R7E	
6	5	4	3	2	1	6	5
7	8	9	10	11	12	7	8
18	17	16	15	14	13	18	17
19	20	21	22	23	24	19	20
30	29	28	27	26	25	30	29
31	32	33	34	35	36	31	32
6	5	4	3	2	1	6	5
7	8	9	10	11	12	7	8
18	17	16	15	14	13	18	17

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Proposed Silver Bell Exchange Boundaries Described as Follows:

BEGINNING at the southeast corner, Section 25, T-10-S, R-6-E, of the Gila and Salt River Base and Meridian, Pinal County, Arizona;
THENCE, West to the southwest corner, Section 27, T-10-S, R-6-E;
THENCE, North to the northwest corner, Section 10, T-10-S, R-6-E;
THENCE, East to the northeast corner, Section 12, T-10-S, R-6-E;
THENCE, South to the point of beginning being the southeast corner, Section 25, T-10-S, R-6-E, of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

MIDVALE TELEPHONE EXCHANGE, INC.
 PROPOSED
 RIO VERDE EXCHANGE BOUNDARIES

Sheet 1 of 3

Rev. 3-26-98

R5E					R6E		
5	4	3	2	1	6	5	4
8	9	10	11	12	7	8	9
17	16	15	14	13	18	17	16
20	21	22	23	24	19	20	21
29	28	27	26	25	30	29	28
32	33	34	35	36	31	32	33
5	4	3	2	1	6	5	4
8	9	10	11	12	7	8	9
17	16	15	14	13	18	17	16

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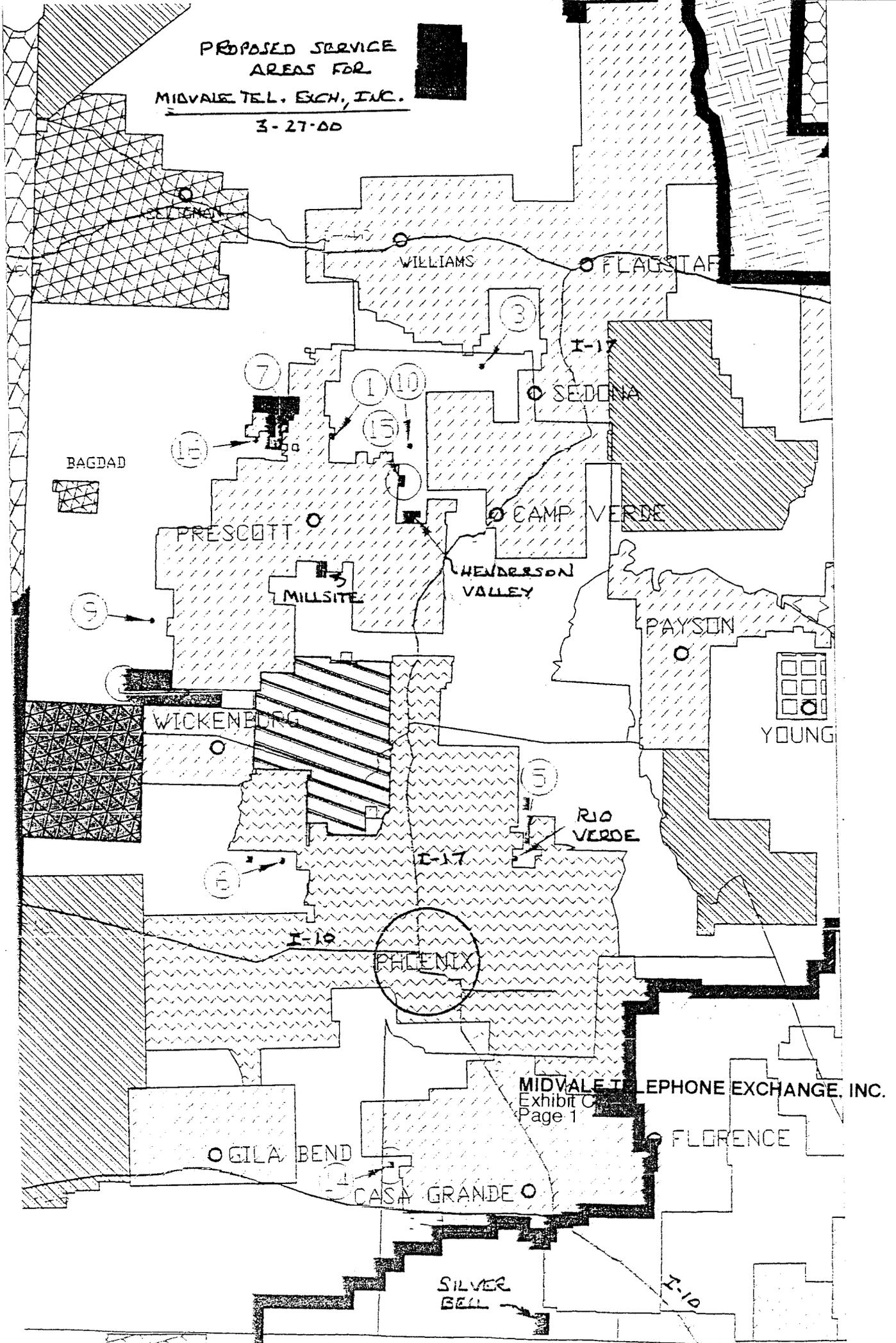
RLMCLimits, 1"=3'
 rvdebdry.dwg /12-05-97

Proposed Rio Verde Exchange Boundaries Described as Follows:
Revised 3-26-98

BEGINNING at the southeast corner, Section 18, T-4-N, R-6-E, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;
THENCE, West to the southwest corner, Section 14, T-4-N, R-5-E;
THENCE, North to the northwest corner, Section 2, T-4-N, R-5-E;
THENCE, East to the northwest corner, Section 6, T-4-N, R-6-E;
THENCE, North to the northwest corner, Section 6, T-5-N, R-6-E;
THENCE, East to the northeast corner, Section 6, T-5-N, R-6-E;
THENCE, South to the point of beginning being the southeast corner, Section 18, T-4-N, R-6-E, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

PROPOSED SERVICE
AREAS FOR
MIDVALE TEL. EXCH., INC.

3-27-60



MIDVALE TELEPHONE EXCHANGE, INC.
Exhibit C
Page 1

BEFORE THE
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF MIDVALE)
TELEPHONE EXCHANGE, INC.'S)
APPLICATION FOR AUTHORITY TO) CASE NO
INCREASE RATES AND FOR)
DISBURSEMENTS FROM THE ARIZONA)
USF)

DIRECT TESTIMONY
OF
LANE WILLIAMS

1 Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

2 A. My name is Lane R. Williams and my business address is 2205
3 Keithley Creek Road, P. O. Box 7, Midvale, Idaho 83645.

4 Q. PLEASE STATE BY WHOM ARE YOU EMPLOYED AND IN WHAT
5 POSITION.

6 A. I am the General Manager of Midvale Telephone Exchange, Inc.
7 ("Midvale") headquartered in Midvale, Idaho.

8 Q. PLEASE SUMMARIZE YOUR BACKGROUND AND
9 QUALIFICATIONS IN THE TELECOMMUNICATIONS
10 INDUSTRY.

11 A. I have spent most of my working life in the telephone industry. During
12 that time I have worked on both central office and outside plant. My
13 current responsibilities include corporate planning and oversight of the
14 Company's operations. I also take the leading role in the Company's
15 relationship with regulatory bodies and other members of the
16 telecommunications industry.

17 Q. PLEASE BRIEFLY DESCRIBE MIDVALE TELEPHONE COMPANY.

18 A. Midvale is a family owned local exchange company providing telephone
19 service to approximately 2000 subscribers in ten rural exchanges in
20 Idaho, Oregon, and Arizona. All of these exchanges are in sparsely
21 populated, high cost rural areas. All company facilities are digital, and
22 one party service is universally available to all subscribers.

23 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
24 PROCEEDING?

1 A. I will provide a general explanation of the reasons for the proposed
2 rate increase. My testimony also explains the reasons for our proposal
3 to provide extended area service ("EAS") between our Cascabel
4 exchange and Benson and San Miguel. Finally, I will explain
5 Midvale's proposal to amend its certificate to provide service to two
6 new exchanges--Millsite and Silver Bell.

7 Q. WHY IS THIS PROPOSED REVENUE INCREASE NECESSARY?

8 A. There are a number of factors that contribute to Midvale's request.
9 The most obvious is that it has been several years since Midvale's last
10 revenue requirement determination. When the Commission issued its
11 last Midvale revenue requirement order, the telephone business was
12 dramatically different than it is today. During the intervening years,
13 Midvale has made very substantial investments to convert to digital
14 switching. Like most other telephone companies, Midvale has also
15 added backbone fiber optic cable and greatly increased the capacity of
16 its outside plant. These investments enabled the company to increase
17 service quality and accommodate the growth in traffic caused in
18 substantial part by the mushrooming demand for internet access.

19 At the same time, access charges and associated revenues have
20 been flat or driven downward, and federal universal service fund
21 disbursements have only partly offset this loss. These factors, coupled
22 with general inflation in ordinary expenses, have all contributed to the
23 current need for a rate increase.

1 None of these factors are unique to Midvale's operations. Over
2 roughly the same time frame, many other local exchange companies
3 have also increased local rates significantly.

4 Q. WHAT IS THE AMOUNT OF THE INCREASE YOU ARE
5 REQUESTING?

6 A. The total revenue increase is not terribly large in either absolute or
7 percentage terms. In the "Base Case," the proposed annual increase is
8 \$108,955, which increases to \$181,991 if the Commission accepts our
9 EAS and unserved territory proposals.

10 Q. ARE YOU PROPOSING ANY CHANGES IN SERVICE LEVELS?

11 A. Yes. We are requesting extended area service between the Cascabel
12 exchange and the towns of Benson and San Manuel. As matters now
13 stand, Cascabel customers must now pay a toll charge to call essential
14 service providers such as schools, businesses, medical facilities, law
15 enforcement, etc. This is not a desirable situation for either the
16 customers or Midvale.

17 Q. HOW DO YOU PROPOSE TO FUND THESE CHANGES?

18 A. As Dr. Reading's testimony explains, we are proposing to unify all
19 Arizona local rates at \$24 per month for residential service, and \$32
20 per month for business customers. We are also proposing a standard
21 statewide access charge of \$.06 per minute. This "rate rebalancing" is
22 necessary in order to respond to a number of changes in the industry
23 and to bring rates closer to actual cost.

24 Q. WILL THESE NEW RATES PRODUCE SUFFICIENT REVENUE TO
25 MEET MIDVALE'S INTRASTATE REVENUE REQUIREMENT?

1 A. No. If the Commission accepts our rate rebalancing proposal, Midvale
2 will also require funding from the Arizona Universal Service Fund
3 (“AUSF”). The amount will vary depending on whether the
4 Commission approves our proposed EAS routes and the proposed
5 expansion into two unserved areas. Dr. Reading discusses the
6 financial impact of these proposals in greater detail, but I would like to
7 draw the Commission’s attention to the fact that the proposed
8 expansion of our service territory produces by far the lowest per capita
9 AUSF support cost.

10 Q. COULD MIDVALE PROVIDE SERVICE IN THE TWO UNSERVED
11 AREAS WITHOUT AUSF SUPPORT?

12 A. We haven’t examined that scenario in detail, but my preliminary
13 conclusion is that it would be a risky proposition.

14 Q. WHY SO?

15 A. In the absence of AUSF support, Midvale would have to raise both
16 access charges and local rates to levels that may be in excess of the
17 customers’ ability or willingness to pay. In the case of local rates, this
18 would jeopardize universal service goals. With respect to access
19 charges, extremely high rates lead to all sorts of problems, including
20 the potential loss of toll service or, at the very least, a reduction in the
21 number of carriers that are willing to provide interexchange service.

22 Q. ARE THERE PUBLIC INTEREST REASONS FOR EXPANDING
23 YOUR CERTIFICATE TO INCLUDE THE TWO CURRENTLY
24 UNSERVED AREAS?

1 A. Yes. There are approximately 400 potential customers in the proposed
2 Millsite and Silver Bell exchanges that need telephone service.
3 Serving such areas has been, and will continue to be, a business
4 objective for Midvale whenever such extensions are financially viable.
5 Exactly half of Midvale's ten existing exchanges have been built "from
6 scratch" during the past decade, and this experience has given us
7 considerable confidence in our ability to plan and carry out exchange
8 construction in unserved areas. In the present case, the proposed
9 expansion provides a double public interest benefit in that unserved
10 customers will receive telephone service and the added customers will
11 enable Midvale to decrease its AUSF draw on both an absolute and per
12 capita basis.

13 Q. DOES THIS COMPLETE YOUR TESTIMONY?

14 A. Yes.

BEFORE THE
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF MIDVALE)
TELEPHONE EXCHANGE, INC.'S)
APPLICATION FOR AUTHORITY TO) CASE NO
INCREASE RATES AND FOR)
DISBURSEMENTS FROM THE ARIZONA)
USF)

DIRECT TESTIMONY AND EXHIBITS
OF
DON C. READING, PH.D.

Direct Testimony of Don C. Reading, Ph.D.

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Introduction

Q. Would you please state your name and address?

10 A. Don Reading, 1227 El Pelar, Boise, Idaho 83702.

11 **Q. What is your present occupation?**

12 A. I am a consulting economist and vice-president of Ben Johnson Associates,
13 Inc.®, an economic research firm specializing in public utility regulation.

14 **Q. Have you prepared an Exhibit describing your qualifications in**
15 **regulatory and utility economics?**

16 A. Yes. Exhibit 1, attached to my testimony, was prepared for this purpose.

17 **Q. Have you prepared Exhibits with accompanying schedules in**
18 **support of your testimony and this filing?**

19 A. Yes. Exhibits 2 through 5 are in support of the testimony. Exhibit 2 contains
20 a set of Schedules A-1 through H-5 that follow the Arizona Corporation
21 Commission's Regulation R14-2-103 Rate Application Filing Requirements.
22 Exhibits 3 through 5 contain a set of schedules indicating the impact of three
23 scenarios I refer to as the base case, the extended area service ("EAS") case,
24 and the case involving serving unserved areas. Exhibit 6 presents EAS
25 traffic data and Exhibit 7 contains a new set of tariffs. These Exhibits were
26 prepared by me or under my direction and are complete and correct to the
27 best of my knowledge.

Don C. Reading
Midvale Telephone Exchange-2

1 **Q. What is your purpose in making your appearance before the**
2 **Commission at this time?**

3 A.. Ben Johnson Associates, Inc. was commissioned by Midvale Telephone
4 Exchange, Inc. (hereinafter referred to as Midvale or the Company) to
5 prepare a request for rate relief to be filed with the Arizona Corporation
6 Commission. Midvale has filed for residential and business rate increases
7 and intrastate rate decreases that are described in greater detail later in this
8 testimony. In support of these rate changes I am submitting a Summary of
9 Rate Base, a Comparative Income Statement, a Capital Structure Analysis, a
10 Calculation of Revenue Deficiency and a Sources of Revenue Statement.

11 **Q. How is your testimony organized?**

12 A. Following this introduction, my testimony has four parts. In the first part I
13 explain the basis for this rate case and summarize the Company's revenue
14 requirement. In the second part I discuss the Company's proposed rate
15 design. The eight schedules in Exhibit 3 support this basic rate case. In the
16 third part I outline Midvale's proposals for EAS and show their impact on
17 proposed rates and revenues. Accordingly, the first eight schedules in Exhibit
18 4, quantifying the EAS impacts, parallel the Exhibit 3 schedules. Finally, in
19 the fourth part, I present the Company's proposals for extending services into
20 previously unserved areas and quantify their impacts. Again, the first eight
21 schedules in Exhibit 5, quantifying the new service impacts, parallel
22 schedules 1-8 of Exhibits 3 and 4.

23 **Q. What is the impetus for this rate case?**

Don C. Reading
Midvale Telephone Exchange-3

1 A. The impetus for this case is the expiration of the waiting period requiring
2 separation of newly acquired assets from current assets for regulatory
3 purposes. At the time of Midvale's purchase of the Young exchange from U S
4 WEST in 1994, the Commission approved a stipulation wherein Midvale
5 agreed not to file a general rate case for a period of three years. [Decision No.
6 58736, September 1, 1994.] Now, after the passage of more than five years
7 since the sale, Midvale wishes to incorporate the Young exchange fully in the
8 Company and bring that exchange's revenues closer to costs.

9 **Q. Has the Company abided by all the conditions in the Commission's**
10 **1994 Order?**

11 A. Yes. In addition to freezing rates at their pre-acquisition levels since the
12 sale, the Company has fulfilled the other conditions set forth in the
13 Commission's Order authorizing service in the Young exchange. It has
14 maintained a positive cash flow, it has provided service to customers in the
15 Haigler Creek area, and it has excluded the above book costs of acquisition
16 from this rate request.

17 **Q What recent major investments has the Company made to improve**
18 **service?**

19 A. There were two major improvements recently undertaken by the Company.
20 First, a new digital switch was placed in the Young Exchange to provide
21 customers with the latest technology and serve new growth. The Company
22 also installed fiber that provides service to customers in previously unserved
23 areas of both the Young and Cascabel exchanges.

1 **Q. Would you please describe the basis of your proposed rate changes?**

2 A. Yes. The test year presented in this filing of Midvale Telephone Exchange -
3 Arizona is for calendar year 1999. Pro forma adjustments, described in
4 greater detail later in this testimony, are made for known or expected
5 changes in capital expenditures, expenses, and revenues.

6 **Q Is Midvale proposing in this filing to establish any EAS routes and/or**
7 **to extend service to any currently unserved areas?**

8 A. Yes on both counts. Midvale proposes to create several EAS routes in its
9 present service territory, as well as to offer service in certain unserved areas
10 outside its existing territory. However, we consider it important to clearly
11 distinguish the impacts of these proposals on the rate case from proposals
12 directly related to the Young/Cascabel consolidation. Therefore, we first
13 present a whole case based on the current route configuration, supported by
14 the schedules in Exhibit 3. Once the basic case has been completed, we
15 factor the impacts of the EAS proposals into costs and revenues and present a
16 second set of schedules in Exhibit 4. Finally, we address the proposed
17 service territory extensions into unserved areas and factor in their impacts,
18 presented in a third set of schedules in Exhibit 5.

19 **1. *Basic Revenue Requirement***

20 **Q Please proceed with the first part of your testimony, which presents**
21 **the Company's case without considering the impact of its EAS and**
22 **service extension proposals. Would you please describe Exhibit 3,**
23 **schedule 1, entitled Net Telephone Plant?**

Don C. Reading
Midvale Telephone Exchange-5

1 A. Yes. Exhibit 3, schedule 1 shows net telephone plant for Midvale Telephone.
2 It includes not only total Arizona, total Oregon, and total Idaho in separate
3 columns, but also a consolidation of the Company's entire operations in the
4 three states.

5 **Q. What is contained in schedule 2 of Exhibit 3?**

6 A Schedule 2 of Exhibit 3, entitled Summary of Rate Base, contains the
7 beginning and ending year rate base balances by A/C code and plant
8 description. Average rate base is also calculated and shown. Known and
9 measurable changes are included and the pro forma average is calculated. In
10 order to arrive at the intrastate portion of the rate base, which is the primary
11 focus of this testimony, the interstate portion is calculated using 1998 cost
12 study allocation factors. The intrastate portion is then residually
13 determined. There are no pro forma adjustments to rate base for the 1999
14 test year.

15 **Q. How did you arrive at the depreciation rates used in this Exhibit?**

16 A. The depreciation rates used to create the Summary of Rate Base for the
17 combined Company are the same as those used by Midvale in its application
18 for the Cascabel exchange in 1992. The Commission approved these rates in
19 Decision 58048, issued October 29, 1992, granting the Company a Certificate
20 of Convenience and Necessity. Midvale has used these same rates for
21 accounting purposes in the Young exchange since the purchase of that
22 exchange from U S WEST.

1 **Q. Exhibit 3, schedule 3 is entitled Comparative Income Statement.**

2 **Would you please explain this schedule?**

3 A. Yes. This schedule displays the operating revenues and expenditures for the
4 test period – calendar year 1999. Pro forma adjustments are then made for
5 known and measurable changes in revenues and expenditures. Note that the
6 schedule contains three pages. The first page displays values for the total
7 Company; the second and third pages display values for the Young and
8 Cascabel exchanges separately and individually. All similar schedules in
9 Exhibits 3-5 will follow this pattern. This ensures that the impact of the
10 separate exchanges on the now merged Company can be readily observed.

11 **Q. Among the pro forma adjustments is a \$221,882 federal universal**
12 **service fund (USF) income increase for the Young Exchange. Why**
13 **have you included this?**

14 A. Until the beginning of the year 2000 the amount of federal USF payments
15 received by Midvale Telephone had been capped. This meant that the
16 Company was receiving funds from the federal USF high cost fund only for
17 the Cascabel exchange. That cap has now been lifted, and, according to
18 NECA, Midvale will begin receiving an additional \$221,882 annually from
19 the federal high cost fund. I have thus included this amount as a pro forma
20 adjustment to the Young exchange.

21 **Q. Has Midvale Telephone participated in the Arizona Universal**
22 **Service Fund (AUSF)?**

Don C. Reading
Midvale Telephone Exchange-7

1 A. Midvale has not been a recipient of funds from the AUSF. However, in order
2 to maintain rates for Arizona ratepayers that are reasonable, to meet
3 competitive pressures, and to earn a reasonable return, the Company now
4 finds it necessary to ask to become a member of the AUSF and proposes to
5 begin drawing from the fund.

6 **Q. Why is it up to the AUSF to make Midvale whole?**

7 A. Basically, there are only three major sources of revenue for regulated local
8 exchange companies that are within the control of those companies as
9 approved by the Commission. These are local exchange rates, state access
10 charges, and the AUSF. The other significant revenue sources-- IXC access
11 and the federal USF--are beyond our (or the state's) control, and their
12 contribution levels cannot be adjusted in this proceeding. I will discuss the
13 Company's proposed revenue allocation in detail in the rate design section of
14 my testimony.

15 **Q What is the cost of capital you used in the calculation of Midvale's**
16 **revenue requirement for Arizona?**

17 A. Exhibit 3, schedule 4 summarizes the weighted cost of capital used to find the
18 Company's revenue requirement. With a return on equity of 13.0%, a
19 weighted cost of debt of roughly 5.5%, and a ratio of approximately 24% debt
20 to 76% equity, the weighted overall cost of capital is 11.2%.

21 **Q. Would you briefly discuss the importance of capital costs in this**
22 **proceeding?**

1 A. Yes. The cost of capital, the rate at which the firm is able to raise funds for
2 capital investment, is a key element in estimating the economic cost of
3 providing local exchange services. Together with the depreciation rate, it is
4 used to convert the total investment amounts to annual or monthly costs.
5 The cost of capital consists of two components---the cost of debt and the cost
6 of equity; these components are weighted or blended together based upon the
7 debt/equity ratio.

8 **Q. Is Midvale's last authorized rate of return the appropriate cost to use**
9 **in this proceeding?**

10 A. No. Since the Commission last established an allowable return for Midvale
11 more than ten years ago, it is appropriate to use a more current estimate of
12 capital costs in this proceeding.

13 **Q. A capital structure of only 24% debt is quite low for a capital**
14 **intensive utility firm. What makes this low debt level appropriate**
15 **for this proceeding?**

16 A. The relatively low percentage of debt is fully justified by the Company's high
17 level of risk, which I will describe in detail a little later in this testimony.

18 **Q. How did you arrive at your 5.5% cost of debt?**

19 A. As shown in schedule 4 of Exhibit 3, the Company's long term debt consists of
20 an RTFC construction loan of \$200,631 at 6.1% (line 1) and an RUS loan of
21 \$268,586 at 5% (line2), both applied to the Cascabel exchange. Short term
22 debt totals \$37,695 with a 6% cost. The Company's total debt is thus
23 \$506,912 (line 4), with a blended cost of a bit over 5.5%.

1 **Q. How did you arrive at your estimate of a 13.0% cost of equity?**

2 A. Given the Company's equity of \$1,606,651 (Exhibit 3, schedule 4, lines 5 and
3 7), I used both a market approach and a comparable earnings approach, then
4 found the midpoint of their overlapping ranges. Under the comparable
5 earnings approach, Midvale's cost of equity ranges between 12.0% and 14.0%.
6 The range under the market approach is between 10.9% and 14.5%. My
7 recommended equity cost of 13.0% represents a reasonable melding of the two
8 sets of findings. These two approaches are described in detail in Exhibit 2,
9 Schedule D-4 attached to my testimony.

10 **Q. Earlier you mentioned that Midvale's level of risk is somewhat**
11 **higher than that of the average telephone company, justifying a**
12 **somewhat higher than average rate of return. Would you explain**
13 **what causes Midvale to have an above-average level of risk?**

14 A. Yes. For small telephone companies like Midvale, both financial risks and
15 operating risks appear to be increasing.

16 **Q. Why has operating risk been increasing?**

17 A. Formerly, the portion of revenues required from local exchange services was
18 held down by the higher contribution levels obtained from the interstate
19 jurisdiction. Now, with interstate access charges moving steeply down, a
20 higher percentage of network costs must be recovered locally, where swings
21 in economic conditions can strongly impact telecom revenues. Furthermore,
22 whereas companies like Midvale once enjoyed local monopolies, they are now
23 subject to competition from other carriers, both wireline and wireless. Prior

1 to the development of significant competition, telephone carriers and most
2 other public utilities faced relatively minimal risks from unpredictable
3 changes in the business cycle and other forces that cause industry demand to
4 fluctuate. Now telephone carriers are facing increasing levels of competition,
5 especially for their higher margin business customers, and their "recession
6 proof" earnings can be eroded even during periods of the greatest prosperity.
7 Moreover, interexchange carriers are merging with cable giants and
8 beginning to offer a full range of electronic services. As a consequence, like
9 firms in historically competitive industries, local exchange carriers now face
10 uncertainty about not only the actions of competitors, but also the prospects
11 of the entire industry.

12 **Q. Hasn't the 1996 Act also increased competition significantly and**
13 **raised the risk for telephone companies, including Midvale?**

14 A. Yes. There is now considerable uncertainty concerning how quickly new
15 technologies will replace the installed ones. Fiber optic cable and the
16 associated electronics continue to decline in cost, and fiber holds the potential
17 for handling video dial tone, broadband data services, and other offerings
18 that require an enormous expansion of bandwidth. To be sure,
19 manufacturers are working aggressively on new technologies that hold the
20 potential for offering higher bandwidth services over ordinary copper wires.,
21 but the future usefulness of the existing copper cable has become rather
22 cloudy. In short, while local telecoms once enjoyed a level of operating risk
23 somewhat below that of the typical industrial firm, the competitive threats to

1 the telecoms' formerly assured customer base have seriously reduced this
2 advantage.

3 **Q. Based on your recommended cost of capital of 11.2%, what is the**
4 **increase in the revenue requirement you find for Midvale Arizona?**

5 A. As shown in Exhibit 3, schedule 5, the revenue increase required would be
6 \$108,955. This would mean an increase of 16.3% after gross-up for
7 uncollectables and taxes on a Company-wide basis. For customers in the
8 Cascabel exchange it would mean an increase of 23.2%; for customers in the
9 Young exchange, it would mean an increase of 11.3%. This increase in the
10 Young exchange would have been greater if not for the removal of the cap on
11 the federal high cost fund described above.

12 **2. *Rate Design***

13 **Q. Please turn to the second part of your testimony. What is the**
14 **rationale behind Midvale's proposed rate design?**

15 A. The rates proposed to meet the revenue requirement were developed in
16 recognition of certain realities. First, if the revenue requirement for these
17 high cost rural companies is to be met, it is necessary to raise local rates,
18 and/or increase the draw from the AUSF, and/or keep intrastate access rates
19 high. Second, to be responsive to the new regime created by the 1996
20 Telecommunications Act, residence and business rates should be moved
21 towards equilibrium, since their costs of service are approximately the same.
22 Otherwise competition will "cherry-pick" the higher margin (business)
23 customers. Since passage of the 1996 Telecommunications Act, it has been

1 clear that rural local exchange companies would eventually need to
2 restructure their rates along cost-based lines. Midvale's proposed local rates
3 go about as far in that direction as is feasible at present, but the revenues
4 from the revised rates will still be insufficient to cover all costs of service.

5 **Q. Should local rates then be raised enough to cover these costs?**

6 A. No. To raise the basic rates further, even if the Commission were to approve
7 such an action, would endanger universal service and the Company's
8 subscriber base. Extremely high local rates would push some subscribers off
9 the network and drive others to wireless alternatives. The result could be a
10 "death spiral" for the Company, with a shrinking customer base requiring
11 ever higher rates, causing further customer defections, leading to still higher
12 rates, and so on.

13 **Q. Could Midvale lessen the impact on basic local rates by maximizing
14 the contribution from discretionary services such as custom calling?**

15 A. Traditionally, local telephone companies have used this approach, and where
16 demand for these services is strong, they can make a significant contribution
17 to overall revenues. But the demand for discretionary services appears to be
18 highly price elastic, and even at the current rates, Midvale customers are
19 making very little use of them (see Exhibit 3, Schedule 7). Instead, since the
20 marginal cost of custom calling features is extremely low, Midvale proposes
21 to bundle them into the basic rates.

22 **Q. Could access rate increases supply the revenue shortfall?**

1 A. No. Interstate access rates, which are beyond state control, are already
2 substantially lower than the intrastate rates in Arizona. Therefore,
3 intrastate access rates will eventually have to come down, not go up, in the
4 interest of fairness and to prevent excessive bypass. Furthermore, the line
5 between local and long distance service is growing increasingly blurred as
6 Internet usage rises and new software allows voice transmissions between
7 widely separated Internet users. The prospects for increased revenues from
8 intrastate access charges are thus slim to none. Therefore, assuming that
9 competition will tend to move the prices of higher margin services down
10 toward cost, the only reasonable source of additional revenue is the state
11 universal service fund. Support for high cost areas is precisely the kind of
12 mission the Arizona USF was designed for.

13 **Q. Doesn't this impose a portion of Midvale's costs on subscribers**
14 **around the state?**

15 A. That is the net result, although the impact on individual subscribers depends
16 on a number of variables—and especially on the range of contributors to the
17 fund. But the hard fact is that regulated telecoms in high cost areas, even
18 when they charge as much as the law allows for basic services and maximize
19 contribution from discretionary services, cannot charge enough to cover their
20 costs. Yet the law requires that these companies, including Midvale, be given
21 a reasonable opportunity to recover their legitimate costs of service and
22 achieve a rate of return in line with that of unregulated firms of comparable
23 risk. Even after full deregulation it may well be necessary for the federal and

1 state USFs to continue to subsidize services in some higher cost areas, if no
2 unsubsidized carrier would be willing to initiate or maintain operations
3 there.

4 **Q. Would you please review the revenue changes you have proposed in**
5 **this filing?**

6 A. Yes. Exhibit 3, schedule 6, entitled Sources of Revenue, shows the revenue
7 amounts used in this filing. As I have said, the major sources of revenue
8 include local service, the interstate USF, the AUSF, and intrastate access,
9 along with miscellaneous revenue and uncollectables. Included in this
10 Exhibit under the column labeled *Before Proposed Rates* are the actual 1999
11 revenue levels for each major source category at current rates. Also included
12 in this schedule under the column labeled *After Proposed Rates* are the
13 estimated revenue levels after the proposed rates take effect.

14 **Q. Would you explain how you calculated local service revenues of**
15 **\$207,393 after your proposed rate increase?**

16 A. Exhibit 3, schedule 7 shows the quantity of units associated with the various
17 services offered by Midvale. These quantities are multiplied by current and
18 proposed monthly rates to yield monthly revenues, then multiplied by 12 to
19 yield annual figures. The results of this multiplication using current rates
20 yields revenue that is less than 2% different from booked revenue for the test
21 year, verifying that the local service demand values are reasonable to use for
22 calculation of the proposed rates.

Don C. Reading
Midvale Telephone Exchange-15

1 **Q. Would you please describe Midvale's current and proposed rate**
2 **structures?**

3 A. Yes. At present, Cascabel's basic single-line residence and business rates are
4 identically \$21.00, while the corresponding base rates in Young are \$12.40 for
5 residence and \$32.00 for business, plus surcharges of \$1.10 in rural zone 1
6 and \$3.30 in rural zone 2. The Company-wide proposed rates are \$24 for
7 basic residence service and \$32 for basic business service. Under these new
8 rates, residence customers in the Young exchange would experience the
9 greatest rate increase—\$11.60 per month. Business customers in the
10 Cascabel exchange would experience an \$11.00 increase. Residence
11 customers in the Cascabel exchange would see a \$3.00 increase, and business
12 customers in the Young exchange would see no increase at all. The effect
13 would be to standardize rates by class, with the residence rate set at 75% of
14 the business rate and all rates brought closer to cost. In the Young exchange,
15 zone charges would be eliminated, effectively reducing the amount of the
16 increases.

17 **Q. Are you also proposing to consolidate some business line rate classes**
18 **and eliminate others?**

19 A. Yes. As shown on page 1 of Exhibit 3, Schedule 7, we propose to consolidate
20 the following Young exchange business line rate categories into Business B1:
21 Key System, PBX - Zone 1, PBX - Zone 2, and PAL (public access line). We
22 also propose to consolidate the following Cascabel exchange business line rate
23 categories under Business- B1: Key System, PBX, and PAL. Most of these

1 categories currently have no customers; only Young's Business - pay category
2 has as many as three customers. The net result of these proposed
3 consolidations, while insignificant from a revenue perspective, achieves the
4 goal of pricing all business local access lines at a single price, regardless of
5 the use to which customers put those lines – a major move toward cost-based
6 pricing.

7 **Q. What rate categories do you propose to eliminate?**

8 A. We propose to eliminate the rate schedules for custom calling entirely, and to
9 offer the various custom calling services without additional charge to all
10 residence and business customers in the Young exchange. These offerings
11 include such items as call waiting, call forwarding, 3-way calling, speed
12 calling, and fixed calling.

13 **Q. Why do you propose eliminating all custom calling charges?**

14 A. The various custom calling features are built into the switch and have
15 practically no marginal cost to the Company. While it would still seem to
16 make sense to charge for them in order to provide a contribution to joint and
17 common costs, Midvale found in the Cascabel exchange that subscription
18 rates were too low to justify the cost of billing. For this reason custom calling
19 features are offered gratis to customers in the Cascabel exchange. To offer
20 the same free features in the Young exchange will result in a revenue loss of
21 less than \$1,000 per year, partially offset by a savings in billing costs, and it
22 may somewhat mollify customers reacting to the increases in basic rates.

1 The present rate structures are shown on Exhibit 3, Schedule 7, pages
2 1 and 2. As can be seen, the rate structure of Young is by far the more
3 complex. Whereas Young has 65 rate categories, Cascabel has just 22.
4 Furthermore, a great many of the Young rates are charged to only one or two
5 customers, or no customers at all. Of the 65 rates, 44 (more than 2/3 the
6 total) are charged to fewer than 5 customers, and 18 are charged to no one at
7 all. This proliferation of categories is a relic of Young's prior identity as a US
8 WEST exchange, and the rates reflect that company's cost allocation
9 methodology. Since a single set of Company rate categories is highly
10 desirable from administrative, marketing, and regulatory perspectives, the
11 proposed rate design consolidates numerous Young rates under the
12 corresponding Cascabel categories.

13 **Q. What further rate categories does Midvale propose to eliminate?**

14 A. The Residence 2-party and Business 4-party categories are eliminated, since
15 the new switch in the Young exchange provides single-party service to all
16 subscribers. This change affects only five subscribers. Other changes include
17 elimination of zone charges for both residence and business service,
18 elimination of zone charges for line connection, elimination of the charges for
19 channel mileage percentages, and elimination of charges for custom calling
20 features.

21 **Q. Other than for simplicity, why do you propose eliminating zone**
22 **charges in the Young exchange?**

1 A. As I stated earlier, local residence rates, even set at the proposed \$24, will
2 not cover the actual costs of provision. Midvale doesn't wish to charge any
3 customer more than this, Yet, charging some customers less than the
4 maximum rate, on the basis of an arbitrary line between longer and shorter
5 loop lengths, would simply add unnecessarily to the AUSF burden. A similar
6 argument applies to business lines.

7 **Q. Would you next explain Midvale's other proposed rate category**
8 **consolidations?**

9 A. Yes. Several rate categories currently have different rates in the two
10 exchanges and often different rates for business and residence service.
11 Midvale proposes to unify the following category rates as indicated:

- 12 (1) Vacation Line Rates: Current rates of \$6.75 for Young Zone 1,
13 \$7.85 for Young Zone 2 and \$10.50 for Cascabel are
14 standardized at \$12 (50% of R-1 regular rate).
- 15 (2) Nonrecurring Charges: Service Order Charge remains \$10.
16 Line Connection Charge is standardized at \$25, with Young
17 zone charges eliminated. Premises Visit Charge is standardized
18 at the current Cascabel rate of \$30.
- 19 (3) Toll Restriction: Charge is standardized at \$2.00 (the current
20 rate for Young Business, Young Residence, Cascabel Residence)
21 with category distinctions eliminated.

- 1 (4) Additional Listing: Charge is standardized at \$1.00 (the current
2 residence rate for both Young and Cascabel), with category
3 distinctions eliminated.
- 4 (5) Foreign Listing: Charge is standardized at \$2.00 (the current
5 Cascabel rate for both residence and business), with category
6 distinctions eliminated.
- 7 (6) Unlisted: Charge is standardized at current Cascabel rate of
8 \$2.00.
- 9 (7) Unpublished: Charge is standardized at the current Cascabel
10 rate of \$2.00.
- 11 (8) Line Lease/Access Charge: Charge is standardized at the
12 current Cascabel rate of \$21.
- 13 (9) Leased Line Installation: Charge is standardized at the current
14 Cascabel rate of \$25.

15 **Q. What is the revenue effect of these rate consolidations, based on the**
16 **test year?**

17 A. Some of the individual rate changes augment overall revenue, while others
18 diminish it; however, I estimate that the impact of all the rate consolidations
19 is to increase annual revenue by \$1,271.

20 **Q. Dr. Reading, would you please indicate how you calculated**
21 **intrastate revenue for Midvale Telephone?**

22 A. Yes. The calculation of intrastate access rates appears in Exhibit 3, schedule
23 8. Rates for the Young exchange were set by the Commission in Decision No.

Don C. Reading
Midvale Telephone Exchange-20

1 58763, Sept. 1, 1994, in which the Commission approved the purchase of the
2 Young exchange by Midvale from U S WEST:

3 IT IS FURTHER ORDERED that Buyers shall adopt a uniform
4 interLATA and intraLATA access rate of \$0.08 per minute, and
5 a uniform billing and collection charge of \$0.085 per message.
6 [page 20.]

7 The access rates for the Cascabel exchange were established by the
8 Commission in Opinion And Order 58048, November 2, 1992, approving
9 Midvale's application and request for a Certificate of Public Convenience and
10 Necessity. Currently, the access rate for the Cascabel exchange is
11 approximately 11 cents per minute.

12 We are proposing a uniform rate of \$0.06 per minute, thus bringing the
13 rates down as well as equalizing them for Cascabel and Young. This will also
14 be equitable for the carriers that pay access to Midvale. It makes little sense
15 for a call that originates in, for example, U S WEST's service territory and
16 terminates in Cascabel to be charged a different rate from a call terminating
17 in Young. Uniform rates will simplify the billing process for Midvale
18 Telephone, simplify the understanding of carriers who may use part of
19 Midvale's service area for calls, and bring access charges closer to cost. The
20 overall impact of charging a uniform rate will be a reduction in Midvale's
21 intrastate access revenue of \$108,076 – from \$195,502 for the test year down
22 to \$87,426.

23 **Q. How did you calculate Midvale Telephone's proposed draw from**
24 **Arizona's USF?**

Don C. Reading
Midvale Telephone Exchange-21

1 A. Exhibit 3 schedule 6 presents the residual calculation for intrastate USF
2 funding levels. For Arizona, local service rates are increased by \$61,210,
3 while intrastate access revenues are decreased by \$99,349. In order to meet
4 the required revenue increase of \$108,844 the Company is proposing to draw
5 \$147,567 from the AUSF annually.

6 **3. EAS Recommendations**

7 **Q. Let's turn to the third part of your direct testimony. Would you**
8 **please discuss the Company's recommendations for EAS routes?**

9 A. Yes. The Company is proposing to establish EAS routes in the Cascabel
10 exchange from Cascabel to Benson and to San Manual. These neighboring
11 towns have a strong community of interest with Cascabel (Benson is the
12 commercial center for Cascabel.), and calling patterns indicate sufficient
13 traffic to support extending the local calling area. Specifically, Cascabel
14 customers make 8.5 calls per line per month to Benson and 2.5 calls per
15 month to San Manual (see Exhibit 6, schedule 1, page 1 of 2).

16 **Q. Will the Company lose revenues from implementing EAS to the**
17 **recommended communities?**

18 A. Yes, the Cascabel exchange will lose some revenue by establishing EAS
19 routes to the two recommended communities. Losses will occur in two ways.
20 The obvious way is through reduced access revenues from toll carriers, when
21 intrastate toll calls to Benson and San Manual become local calls. But
22 revenue will also be lost because EAS stimulates local calling and thus alters
23 the ratio of local calls to interstate calls. The resulting shift in cost

1 allocations from the interstate to the state jurisdiction reduces interstate
2 settlement revenue and consequently raises the intrastate revenue
3 requirement.

4 **Q. Have you quantified these anticipated revenue losses?**

5 A. Yes. The implementation of EAS to the Cascabel exchange is expected to
6 reduce access revenue by \$17,190 (Exhibit 4, schedule 3, page 1 of 3), and
7 interstate settlement revenue by \$15,687. These amounts are shown as pro
8 forma adjustments to schedule 3 of Exhibit 4, and ripple through subsequent
9 schedules.

10 **Q. How did you arrive at your estimate for loss of revenue to Midvale
11 from the shift in the ratio of state to interstate calls?**

12 A. As shown on Exhibit 6, we have assumed a 2.1x stimulation factor, based on
13 our examination of the impact of implementing EAS in Midvale's Oregon
14 exchanges. It may well be that the strong community of interest among the
15 communities will cause the true stimulation factor to exceed this amount. If
16 so, the revenue loss will be somewhat greater.

17 **Q. What is the impact on MTE's revenue requirement and your
18 recommendations for Midvale Telephone's proposed draw from
19 Arizona's USF when the EAS areas are added to the base case
20 presented above?**

21 A. Exhibit 4, schedule 6 presents the residual calculation for intrastate USF
22 funding levels. For Arizona, local service rates are increased by \$61,210,
23 while intrastate access revenues are decreased by \$141,618. In order to meet

1 the required revenue increase of \$144,620, the Company is proposing to draw
2 \$225,567 from the AUSF annually. This is an increase of \$78,000 above the
3 base case.

4 **4. *Service to Currently Unserved Areas***

5 **Q. Lets turn to the fourth and final portion of your direct testimony.**
6 **Would you please discuss the Company's recommendations for**
7 **establishing service in some unserved areas in Arizona?**

8 A. Yes. Midvale Telephone is proposing to establish service in two separate
9 areas that currently lack any wireline service. The Millsite exchange will
10 include four contiguous subdivisions located about 15 miles south of Prescott,
11 plus the Henderson Valley Ranch subdivision located north of the Millsite
12 area about 15 miles east of Prescott. The Silver Bell exchange, serving areas
13 about 50 miles southwest of Phoenix, will include both the Silver Bell
14 subdivision and the adjoining Sawtooth subdivision in addition to the Rio
15 Verde subdivision. Rio Verde will be served over T1 lines leased from U S
16 WEST. Midvale expects that over the next three years the Millsite exchange
17 will hook up more than 200 customers and the Silver Bell exchange about 185
18 customers.

19 **Q. What costs are projected for extending service into these two**
20 **unserved areas?**

21 A. The total investment for both areas is expected to be \$1.45 million, split
22 roughly 55%/45% between Millsite and Silver Bell. The Company will
23 supply \$260,000 in equity and borrow the remainder from RTFC at 8%.

1 **Q. How have you included the associated costs and revenues from these**
2 **two new exchanges in the current rate case calculations?**

3 A. Attached to Exhibit 2, schedule C-2, is a stand-alone financial analysis of the
4 Millsite and Silver Bell exchanges that includes expected capital costs,
5 associated expenses and revenues, borrowing cost, depreciation rates, etc.

6 In order to incorporate accurately the costs and revenues of the two
7 new exchanges, pro forma changes were made in Exhibit 5 to schedule 2
8 (rate base), schedule 3 (income and expenses), and schedule 4 (cost of capital).
9 For example, \$20,000 is listed under buildings on schedule 2 (page 1 of 1),
10 reflecting the increase in rate base from a \$10,000 building to be erected in
11 each exchange. These changes are then flowed through to form calculations
12 for the total Arizona operations of the Company, including the existing
13 exchanges of Cascabel and Young as well as the proposed exchanges of
14 Millsite and Silver Bell.

15 **Q. How does the addition of the Millsite and Silver Bell exchanges**
16 **affect Midvale Telephone's proposed draw from the Arizona USF?**

17 A. Schedule 6 of Exhibit 5 presents the revenue sources for the unserved areas
18 scenario. Comparing this schedule to the corresponding schedule in Exhibit 4
19 convincingly demonstrates that the additional economies of scale generated
20 by the inclusion of Millsite and Silver Bell produce a net benefit for all
21 parties. The bottom line is that nearly 400 unserved customers receive
22 telephone service, but the Company's Arizona USF draw actually decreases
23 by \$4,216.

1 Q. Does this conclude your direct testimony?

2 A. Yes, it does.

Don C. Reading
Midvale Telephone Exchange-26

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QUALIFICATIONS

Present Occupation

Q. What is your present occupation?

A. I am Vice President and Consulting Economist with Ben Johnson Associates, Inc., a firm of economic and analytic consultants specializing in the area of public utility regulation.

Educational Background

Q. What is your educational background?

A. I graduated from Utah State University in 1962 with a Bachelor of Science degree in economics. I earned the Master of Science degree in economics at the University of Oregon in 1964. Finally, I received a Ph.D. in economics from Utah State University in 1972. The title of my doctoral dissertation was *New Deal Expenditures in the 48 States, 1933-1939*.

Q. Have you received any academic honors or awards?

A. Yes. I am a member of Omicron Delta Epsilon, the national economics honorary, and was awarded a National Science Foundation Fellowship in 1967.

1 *Clients*

2

3 **Q. What types of clients employ your firm?**

4 A. Our clients have included a wide variety of public agencies and
5 private corporations. Governmental clients include the following:
6 Commissions in Alabama, Alaska, Arizona, Arkansas, Connecticut,
7 District of Columbia, Idaho, Kansas, Maine, Michigan, Missouri,
8 Nevada, New Mexico, North Carolina, Oklahoma, Ontario, Texas,
9 Virginia, Washington, West Virginia, Wisconsin, and Wyoming;
10 Consumer Counsels in Arizona, Colorado, Connecticut, Delaware,
11 the District of Columbia, Florida, Georgia, Hawaii, Illinois,
12 Indiana, Iowa, Maryland, Minnesota, Nevada, New Hampshire,
13 New Jersey, Ohio, Pennsylvania, and Utah; Attorneys General in
14 Arkansas, Florida, Idaho, Kentucky, Michigan, Minnesota,
15 Nevada, South Carolina, Virginia, and Washington; the Cities of
16 Dallas, El Paso, Houston, Phoenix, Richmond, and Tucson; the
17 United Nations; the United States Bureau of Mines; the United
18 States Department of Health, Education, and Welfare; the United
19 States Department of Justice--Antitrust Division; the United States
20 Environmental Protection Agency; the Canada Department of
21 Communications; the National Association of State Utility
22 Consumer Advocates; the Florida Department of General
23 Services; and the Provincial Government of Ontario. Our
24 corporate and institutional clients have included: AMERICALL,
25 Arkansas Telephone Company, Inc., BC Rail, Blountsville
26 Telephone Company, Casco Bank and Trust, the CommuniGroup
27 Companies, Inc., Depositors Bank and Trust, East Maine Medical
28 Center, the Harris Corporation, Interstate Securities Corporation,
29 J.R. Simplot Company, LDDS, Liberty Telephone and
30 Communications, Louisiana/Mississippi Association of Resellers,

1 Merrill Trust Company, Micron, Inc., Network I, Inc., Nevada
2 Power Company, North American Telephone Company,
3 Pan-Alberta Gas, Ltd., PenBay Memorial Hospital, PW Ventures,
4 the South Carolina Long Distance Association, Stanton Telephone
5 Company, Tel America, Teleconnect Company, Teltec Savings
6 Communications, Inc., and Transcall America.

7

8 ***Prior Experience***

9

10 **Q. Before becoming a consultant, where were you professionally**
11 **employed, and in what capacities?**

12 A. From 1981 to 1986 I was Economist and Director of Policy and
13 Administration for the Idaho Public Utilities Commission. My
14 duties at the IPUC included, in addition to my testimony, the
15 preparation of special reports in the areas of forecasting, demand
16 studies, and economic analysis. As Staff Director I was charged
17 with overseeing the personnel and budget functions, and with
18 representing the Commission before the state legislature, at the
19 governor's office, before the utility commissions of other states and
20 before such federal and regional entities as the Bonneville Power
21 Administration, the Northwest Power Planning Council, and the
22 Public Power Council.

23 Before that time I taught economics at Middle Tennessee State
24 University (Assistant Professor, 1968-70), Idaho State University
25 (Assistant and Associate Professor, 1970-80), and the University
26 of Hawaii at Hilo (Associate Professor, 1980-81). Subjects taught
27 included economic theory and history, quantitative analysis,
28 econometrics, statistics, labor economics, financial institutions, and
29 international economics.

1 In addition, between 1970 and 1986 I prepared reports and
2 expert testimony on loss of earnings in a number of legal actions
3 respecting wrongful injury and wrongful death. Although many of
4 these cases were settled without trial, I gave expert testimony in
5 court on numerous occasions.

6
7 **Q. Have you testified previously as an expert witness in the area**
8 **of public utility regulation?**

9 A. Yes. I have prepared expert testimony on more than 30 occasions
10 in proceedings before regulatory commissions in Alaska, -
11 California, Colorado, the District of Columbia, Idaho, Nevada,
12 North Dakota, Texas, Utah, and Washington, and before the
13 Interstate Commerce Commission. In addition, I have served as a
14 hearing examiner in Idaho.

15 My testimony in these proceedings has dealt with avoided costs,
16 capital structure, cost of capital, cost of service, demand elasticity
17 models, planning and forecasting, power supply models, rate
18 design, and regional economic conditions affecting public utilities.

19
20 **Q. Please describe your most recent activities in the area of public**
21 **utility regulation.**

22 A. I have been the lead consultant to the Idaho Legislative Interim
23 Joint Committee on Electric Utility Restructuring since its
24 establishment two years ago. My specific duties have included
25 helping frame issues for consideration by the co-chairs (John
26 Hanson, Senate; Ron Crane, House) and other members of the
27 Committee, and coordinating with other state agencies such as the
28 Idaho Public Utilities Commission, Office of Attorney General,
29 Department of Water Resources, Department of Revenue and
30 Taxation, and the Legislative Council. My duties also include

1 monitoring and reporting to the Interim Committee the proposals
2 of the Bonneville Power Administration and the Northwest Power
3 Planning Council. My specific responsibilities also include
4 technical support concerning tax law changes entailed by the
5 deregulation of generation assets, the impact on state water law of
6 the deregulation of hydro facilities, electric restructuring activities
7 in other states, and the impact on Idaho ratepayers and businesses
8 of moving to a deregulated electric market. I am presently drafting
9 a report to be submitted to the Idaho Legislature describing the
10 findings and activities of the Interim Committee.
11

12 **Q. Do you have any professional publications?**

13 A. Yes. I have authored or co-authored more than 15 books and
14 articles, including the following:

15

16 "Steelhead May Make Species List: Endangered Declaration
17 Would Affect Anglers" *The Idaho Statesman*, May 23, 1996.

18

19 "Cost Savings from Nuclear Resources Reform: An Econometric
20 Model" (with E. Ray Canterbery and Ben Johnson) *Southern
21 Economic Journal*, Spring 1996.

22

23 "Post-PURPA views," *Proceedings of the NARUC Biennial
24 Regulatory Conference*, September 1982.

25

26 *An Input-Output Analysis of the Impact from Proposed Mining in
27 the Challis Area* (with R. Davies). Public Policy Research Center,
28 Idaho State University, February 1980.

29

30 "The Paradox of Voting," *Reason* 10 (April 1979): 39-41.

1 "Index of Prices Received by Idaho Farmers," *Idaho Economic*
2 *Indicators*, July 1978 (also continuing series published monthly).

3
4 *Future-Gram, "C" Series: Current Trends and Forecasts,*
5 *"C" Series* (with R. Foster, et al.). Government Research Institute
6 of Idaho State University and the Southeast Idaho Council of
7 Governments: Pocatello, ID, June 1977.

8
9 *An Empirical Analysis of Predictors of Income Distribution*
10 *Effects of Water Quality Controls* (with J. Keith, et al.). Utah
11 Water Research Laboratory, Utah State University: Logan, Utah,
12 September 1976.

13
14 *Regional Growth and Fiscal Impact in Southeast Idaho* (with V.
15 Hjelm et al.). Government Research Institute of Idaho State
16 University and the Southeast Idaho Council of Governments:
17 Pocatello, ID, January 1976.

18
19 *Phosphate and Southeast: A Socio Economic Analysis* (with J.
20 Eyre, et al). Government Research Institute of Idaho State
21 University and the Southeast Idaho Council of Governments,
22 August 1975.

23
24 *Estimating General Fund Revenues of the State of Idaho* (with S.
25 Ghazanfar and D. Holley). Center for Business and Economic
26 Research, Boise State University, June 1975.

27
28 "Pocatello/Bannock County Economic Impact through 1978"(with
29 R. R. Johnson), funded by the City of Pocatello (A Regional Input-
30 Output Model), December 1975.

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“A Note on the Distribution of Federal Expenditures: An Interstate Comparison, 1933-1939 and 1961-1965.” *The American Economist*, Vol. XVIII, No. 2 (Fall 1974), pp. 125-128.

“New Deal Activity and the States, 1933-1939.” *Journal of Economic History*, Vol. XXXIII, December 1973, pp. 792-810.

“Utah’s Steel Industry” (with Reid R. Durtschi and Bartell Jensen), Utah State University Research Paper, 1965.

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: A-1

Title: Computation of Increase in Gross Revenue Requirements.

Explanation:

Schedule showing computation of increase in gross revenue requirements and spread of revenue increase by customer classification.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1

LINE	DESCRIPTION	
1	RATE BASE	1,807,096
2	RATE OF RETURN ON RATE BASE	10.346%
3	REQUIRED RETURN (LN 1 x LN 2)	186,955
4	UTILITY OPERATING INCOME	90,689
5	RETURN DEFICIENCY (LN 3 - LN 4)	96,266
6	NET INCO RATIO	
6A	TOTAL GROSS REVENUE	1.00000
6B	LESS: UNCOLLECTIBLE (INTRASTATE)	0.00237
6C	NET REVENUES (LN 6A - LN 6B)	0.99763
6D	STATE INCOME TAX RATE (INPUT)	0.08000
6E	STATE INCOME TAXES (LN 6C x LN 6D)	0.07981
6F	FEDERAL INCOME TAX BASE (LN 6C - 6E)	0.91782
6G	FEDERAL INCOME TAX RATE (INPUT)	0.35000
6H	FEDERAL INCOME TAXES (LN 6F x LN 6G)	0.32124
6I	NET OPERATING REVENUE (LN 6F - LN 6H)	0.59658
6J	NET INC TO GROSS REVENUE MULT (1/ LN 6I)	1.67621
6K	GROSS UP REVENUE (EQ. INT. X RB X LN6J)	85,724
7	REVENUE INCREASE REQUIRED (LN 5 + LN 6K)	181,991
	PERCENT INCREASE	21.6%

	CURRENT RATE	PROPOSED RATE	PERCENT CHANGE
CASCABEL			
RESIDENCE- R1	\$21.00	\$24.00	14.3%
BUSINESS - B1	\$21.00	\$32.00	52.4%
YOUNG			
RESIDENCE- R1	\$12.40	\$24.00	77.8% •
RESIDENCE- Zone 1 Charge	\$1.10		
RESIDENCE- Zone 2 Charge	\$3.30		
RESIDENCE- Flat 2 Party	\$10.76		
BUSINESS - B1	\$32.00	\$32.00	-3.3% •
BUSINESS - Zone 1 Charge	\$1.10		
BUSINESS - Zone 2 Charge	\$3.30		
BUSINESS - pay	\$21.00	\$21.00	0.0%
BUSINESS - Flat 4 Party	\$24.20	\$32.00	32.2%

* Elimination of zone charges - this percent is for zone 1
See Attachment H-2

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: A-2

Title: Summary Results of Operations

Explanation:

Supporting Schedules: *Optional for projected year

(a) E-2

(b) C-1

(c) F-1

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

	Year Ending 12/31/97	Year Ending 12/31/98	12/31/99 RECORDED
TOTAL REVENUE	845,627	910,072	865,801
TOTAL EXPENSES*	898,833	857,452	859,434
UTILITY OPERATING INCOME	(53,206)	52,620	6,367
INTEREST EXPENSE	(23,685)	(22,211)	(25,107)
NET INCOME	(76,891)	30,409	(18,740)

*Net of Interest

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: A-3

Title: Summary of Capital Structure

Explanation:

Schedule showing comparative capital structures for the last 3 historical years, including the test year, and the projected year.

Supporting Schedules:

(a) E-1

(b) D-1

	1999	1998	1997
LONG TERM DEBT	470,233	540,580	578,237
DEFERRED TAXES	156,381	161,124	119,500
EQUITY	1,574,741	1,535,394	1,199,159

AFTER THE ADDITION OF UNSERVED AREAS

<u>DESCRIPTION</u>	<u>CAPITAL AMOUNT</u>
LONG TERM DEBT	
RTFC CONST. LOAN CASCABEL	200,631
RUS 5% CASCABEL	268,586
OTHER & UNSERVED	<u>1,080,798</u>
TOTAL DEBT	<u>1,550,015</u>
EQUITY (CASCABEL & YOUNG, NEW)	1,816,869
OTHER	
TOTAL EQUITY	<u>1,816,869</u>
TOTAL	<u><u>3,366,884</u></u>

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: A-4

Title: Construction Expenditures and Gross

Utility Plant in Service

Explanation:

Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Supporting Schedules:

(a) F-3

(b) E-5

PROJECTED PLANT ADDITIONS

	1997	1998	TEST YEAR	PROJECTED PLANT ADDITIONS		
				Year 1	Year 2	Year 3
Land				20,000	0	0
Building				50,000	-	-
Switch				350,188	11,676	19,676
Carrier Local				106,055	5,600	5,600
Carrier Toll				45,970		
OSP Local				345,732	13,722	13,722
OSP Toll				87,238		
Microwave				82,420	-	-
Lease T1				41,861	41,261	41,261
Engineering				160,141	4,649	5,849
PLANT ADDITIONS				1,289,605	76,908	86,108
TOTAL PLANT	2,573,354	3,034,757	3,060,664	4,350,269	4,427,177	4,513,285

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: A-5

Title: Summary Changes In Financial

Position

Explanation:

Schedule showing sources and application of funds in summary format.

Supporting Schedules:

(a) E-3

(b) F-2

See Attached

MIDVALE TELEPHONE EXCHANGE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended December 31, 1999 and 1998

	<u>1999</u> ⁹	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ (230,601)	\$ 158,845
Adjustment to reconcile net income to net cash provided by operating activities:		
Gain on sale of equipment	(16,600)	00
Depreciation and amortization –		
Telecommunication Plant	1,261,955	1,216,489
Depreciation non-regulated equipment	29,144	32,521
Provision for deferred income taxes	(37,905)	161,570
Changes in Operating Assets and Liabilities:		
Accounts receivable	(158,747)	31,848
Inventory	(52,920)	11,476
Prepaid expenses	169,758	(146,730)
Accounts payable	(39,760)	(54,527)
Accrued payroll and other taxes	28,408	(4,974)
Accrued interest payable	3,085	(724)
Income taxes payable	<u>20</u>	<u>(70,000)</u>
Net Cash Provided by Operating Activities	<u>955,837</u>	<u>1,335,794</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Telecommunications Plant additions	(678,721)	(1,156,912)
Non-regulated Cable TV Plant and other equipment	15,322	(26,140)
Telephone plant adjustment	00	(130,218)
Proceeds from sale of equipment	16,600	00
Non-regulated investments	(38,693)	(40,244)
Other non-current assets	(6,266)	(2,922)
Deferred charges	<u>(112,099)</u>	<u>00</u>
Net Cash Used in Investing Activities	<u>(803,857)</u>	<u>(1,356,436)</u>

See notes to financial statements.

MIDVALE TELEPHONE EXCHANGE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in line of credit payable	\$ 301,000	\$ (285,000)
Proceeds from long-term borrowings	86,250	775,482
Principal payments on debt	<u>(500,455)</u>	<u>(456,047)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(113,205)</u>	<u>34,435</u>
Increase in Cash and Cash Equivalents	38,775	13,793
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>232,675</u>	<u>218,882</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 271,450</u>	<u>\$ 232,675</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income taxes	\$ 21	\$ 70,860
Interest	\$ 431,848	\$ 446,563

See notes to financial statements.

MIDVALE TELEPHONE EXCHANGE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 112,714	\$ 948,222
Adjustment to reconcile net income to net cash provided by operating activities:		
Gain on sale of securities	(345,913)	(1,372,295)
Depreciation and amortization -		
Telecommunication Plant	1,194,428	848,059
Depreciation non-regulated equipment	42,783	58,732
Provision for deferred income taxes	(174,973)	(164,628)
Changes in Operating Assets and Liabilities:		
Accounts receivable	(30,873)	(30,006)
Inventory	(18,580)	(8,622)
Prepaid expenses	(23,505)	273,279
Accounts payable	(159,937)	133,247
Notes payable	(121,204)	187,157
Accrued payroll and other taxes	39,188	16,671
Accrued interest payable	14,265	14,712
Income taxes payable	<u>(296,670)</u>	<u>361,625</u>
Net Cash Provided by Operating Activities	<u>231,723</u>	<u>1,266,153</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Telecommunications Plant additions	(519,820)	(4,817,165)
Non-regulated Cable TV Plant and other equipment	(10,465)	(20,117)
Sale of internet equipment	27,189	00
Non-regulated investments	(24,758)	(124,069)
Other non-current assets	(15,124)	(15,228)
Proceeds from sale of securities	<u>342,791</u>	<u>1,372,871</u>
Net Cash Used in Investing Activities	<u>(200,187)</u>	<u>(3,603,708)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	351,213	3,405,371
Principal payments on debt	<u>(327,316)</u>	<u>(1,042,893)</u>
Net Cash Provided by Financing Activities	<u>23,897</u>	<u>2,362,478</u>

The accompanying notes are an integral part of these financial statements.

MIDVALE TELEPHONE EXCHANGE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the Years Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Increase in Cash and Cash Equivalents	\$ 55,433	\$ 24,923
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>163,449</u>	<u>138,526</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 218,882</u>	<u>\$ 163,449</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	\$ 444,461	\$ 5,880
Interest paid	\$ 428,949	\$ 300,683
 NON CASH FINANCING ACTIVITIES		
Note from sale of internet services	\$ 100,000	\$ 00
Recorded unrealized gains on securities	\$ (227,838)	\$ (814,072)
Deferred income taxes on recorded unrealized gains on securities	\$ (114,800)	\$ (410,400)

The accompanying notes are an integral part of these financial statements.

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: B-1

Title: Summary of Original Cost and RCND

Base Elements Explanation:

Schedule showing elements of adjusted original cost and RCND rate bases.

Supporting Schedules:

(a) B-2, (d) B-5

(b) B-3, (c) E-1

Recap Schedules:

(e) A-1

	BALANCE <u>12/31/98</u>	BALANCE <u>12/31/99</u>	<u>AVERAGE</u>
TOTAL PLANT IN SERVICE	3,034,756	3,060,664	3,047,710
ACCUMULATED DEPRECIATION	1,122,615	1,211,770	1,167,193
RATE BASE	1,912,141	1,848,894	1,880,518

Note: See B-2, B-2 Attachment
MTE does not keep RCND books

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: B-2

Title: Original Cost Rate Base Pro forma

Adjustments

Explanation:

Schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

Supporting Schedules: Recap Schedules:
(a) E-1
(b) B-1

	BALANCE 12/31/98	BALANCE 12/31/99	AVERAGE CPE/ADJ	PROFORMA ADJUSTMENTS		AVERAGE AFTER PROFORMA	INTERSTATE AFTER PROFORMA	INTRASTATE AFTER PROFORMA
				CPE/ADJ	UNSERVED			
TOTAL PLANT IN SERVICE	3,034,756	3,060,664	3,047,710	-	1,087,603	4,135,313	1,584,832	2,550,481
ACCUMULATED DEPRECIATION	1,122,615	1,211,770	1,167,193	-	-	1,167,193	423,808	743,385
RATE BASE	1,912,141	1,848,894	1,880,518	-	1,087,603	2,968,121	1,161,025	1,807,096

Note: See Attached

MIDVALE TELEPHONE EXCHANGE
SUMMARY OF RATE BASE - TOTAL ARIZONA

A/C CODE	PLANT DESCRIPTION	BALANCE		AVERAGE		PROFORMA ADJUSTMENTS		AVERAGE		INTERSTATE		INTERSTATE % ADJ.
		12/31/98	12/31/99	12/31/98	12/31/99	EAS	UNSERVED	PROFORMA	PROFORMA	PROFORMA	PROFORMA	
Y	2111.54 LAND	20,207	20,207	20,207	20,207		20,000	20,207	20,207	7,250	12,957	35.8800%
Y	2111.55 BUILDINGS	14,347	14,347	14,347	14,347			20,000	20,000	7,176	12,924	35.8800%
C	2112.33 VEHICLES	29,645	29,645	29,645	29,645		50,000	29,645	50,000	5,148	9,199	35.8800%
Y	2116.33 OTHER WORK EQUIP	24,900	24,900	24,900	24,900			24,900	24,900	17,940	32,060	35.8800%
Y	2116.55 OTHER WORK EQUIP	21,980	21,980	21,980	21,980			21,980	21,980	10,637	19,008	35.8800%
Y	2122.55 OFFICE FURNITURE	500	500	500	500			500	500	8,934	15,966	35.8800%
Y	2123.55 OFFICIAL STATION EQUIP	6,971	6,971	6,971	6,971			6,971	6,971	179	321	35.8800%
C	2124.33 GEN PURCHASE COMPUTERS	1,972	1,972	1,972	1,972			1,972	1,972	4,470	4,470	35.8800%
Y	2124.55 GEN PURCHASE COMPUTERS	157,744	187,974	172,859	172,859			172,859	172,859	128,313	44,546	35.8800%
C	2212.33 DIG. ELECT SWITCH	320,795	309,186	314,991	314,991		350,188	314,991	314,991	233,817	81,173	74.2300%
Y	2212.55 DIG ELECT SWITCH	303,076	304,974	304,025	304,025			304,025	304,025	259,945	90,243	74.2300%
C	2230.33 CENTRAL OFFICE TRANS	560,420	565,809	563,115	563,115		667,413	563,115	563,115	169,723	393,392	30.1400%
Y	2351.55 PUBLIC TELE EQUIP	5,619	5,619	5,619	5,619			5,619	5,619	1,544	4,076	30.1400%
C	2423.33 BURIED CABLE	766,075	766,075	766,075	766,075			766,075	766,075	210,441	555,634	27.4700%
Y	2423.55 BURIED CABLE	800,504	800,504	800,504	800,504			800,504	800,504	219,898	580,606	27.4700%
	TOTAL PLANT IN SERVICE	3,034,756	3,060,664	3,047,710	3,047,710		1,087,603	3,047,710	3,047,710	1,584,832	2,550,481	27.4300%
	YOUNG	1,749,265	1,743,045	1,746,155	1,746,155			1,746,155	1,746,155	647,202	1,098,951	27.4300%
	CASCABEL	1,285,491	1,317,619	1,301,555	1,301,555			1,301,555	1,301,555	451,411	850,144	34.3500%
C	2003.33 PLNT CONST.											
Y	2007.55 PLNT ACQ ADJ											
Y	2007.56 RES AMT. PLT ACQ											
C	3112.33 ACCUM DEP-VEHICLES	(13,545)	(13,545)	(13,545)	(13,545)			(13,545)	(13,545)	(4,918)	(8,627)	36.3100%
Y	3112.55 ACCUM DEP-VEHICLES	(17,900)	(22,480)	(19,990)	(19,990)			(19,990)	(19,990)	(7,238)	(12,732)	36.3100%
C	3116.33 ACCUM DEP-OTHER EQUIP	(21,659)	(21,980)	(21,820)	(21,820)			(21,820)	(21,820)	(7,923)	(13,897)	36.3100%
Y	3121.55 ACCUM DEP-BLDG	(996)	(1,474)	(1,235)	(1,235)			(1,235)	(1,235)	(448)	(787)	36.3100%
Y	3122.55 ACCUM DEP-F & FY	(243)	(314)	(279)	(279)			(279)	(279)	(101)	(177)	36.3100%
C	3124.33 ACCUM DEP-COMPUTERS	(2,360)	(3,755)	(3,058)	(3,058)			(3,058)	(3,058)	(1,110)	(1,947)	36.3100%
Y	3124.55 ACCUM DEP-COMPUTERS	(624)	(12,018)	(6,321)	(6,321)			(6,321)	(6,321)	(2,295)	(4,026)	36.3100%
C	3212.33 ACCUM DEP-DIGITAL SWITCH	(79,223)	(106,672)	(92,948)	(92,948)			(92,948)	(92,948)	(33,749)	(59,198)	36.3100%
Y	3212.55 ACCUM DEP-DIGITAL SWITCH	(85,708)	(18,622)	(52,165)	(52,165)			(52,165)	(52,165)	(18,941)	(33,224)	36.3100%
C	3230.33 ACCUM DEP-CO TRANS	(88,979)	(97,115)	(92,997)	(92,997)			(92,997)	(92,997)	(33,767)	(59,230)	36.3100%
Y	3230.55 ACCUM DEP-CO TRANS	(367,044)	(403,687)	(385,366)	(385,366)			(385,366)	(385,366)	(139,926)	(245,439)	36.3100%
Y	3351.55 ACCUM DEP-PUBLIC	(5,619)	(5,619)	(5,619)	(5,619)			(5,619)	(5,619)	(2,040)	(3,579)	36.3100%
C	3423.33 ACCUM DEP-BURIED CABLE	(133,447)	(165,366)	(149,407)	(149,407)			(149,407)	(149,407)	(54,250)	(95,157)	36.3100%
Y	3423.55 ACCUM DEP-BURIED CABLE	(305,768)	(339,123)	(322,446)	(322,446)			(322,446)	(322,446)	(117,080)	(205,366)	36.3100%
	RATE BASE	1,912,141	1,848,894	1,880,518	1,880,518		1,087,603	1,880,518	1,880,518	2,568,121	1,161,025	1,807,096
	YOUNG	965,763	959,708	952,736	952,736			952,736	952,736	359,111	593,625	593,625
	CASCABEL	946,378	909,186	927,782	927,782			927,782	927,782	315,694	612,088	612,088

Y= YOUNG
C=CASCABEL

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: B-3

Title: RCND Rate Base Pro forma

Adjustments

Explanation:

Schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the RCN rate base.

Supporting Schedules Recap Schedules:

(a) B-4

(b) B-1

MTE does not keep RCND books

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: B-4

Title: RCND by Major Plant Accounts

Supporting Schedules: Recap Schedules:

RCND Study

a) B-3

Explanation:

Schedule showing the determination of Reproduction Cost New Less Depreciation at end of Test Period.

MTE does not keep RCND books

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: B-5

Title: Computation of Working Capital

Explanation:

Schedule showing computation of working capital allowance.

Supporting Schedules:
(a) E-1

Recap Schedules:
b) B-1

These items are not booked separately.

MIDVALE TELEPHONE EXCHANGE

Exhibit 2
 Schedule: C-1
 Title: Adjusted Test Year Income Statement
 Explanation:
 Schedule showing statement of income for the test year, including pro forma adjustments.

Supporting Schedules: (a) E-2 (b) C-2
 Recap Schedules: (c) A-1

	12/31/99		PROFORMA ADJUSTMENTS				RESULTS			INTERSTATE	
	RECORDED	FED USF YOUNG	EAS	RATE CASE EX	UNSERVED AREA	AFTER PROFORMA	AFTER PROFORMA	AFTER PROFORMA	INTERSTATE	% alloc.	
OPERATING REVENUES											
LOCAL SERVICES	146,183	0	0	0	71,477	217,660		217,660			
ENDUSER REVENUE (SLC)	26,186	0	0	0	10,122	36,308		36,308			
INTERSTATE ACCESS	377,001	0	0	0	63,636	440,637	417,490	23,147	0.4033		
INTRASTATE ACCESS	186,820	0	-17,190	0	57,272	226,902		226,902	0.2455		
INTERSTATE USF	107,050	221,824	-15,687	0		313,187		313,187	0.3228		
STATE USF									0.3648		
DIRECTORY REVENUE	1,759	0	0	0	2,073	1,759		1,759	0.3648		
MISC.	22,081	0	0	0	-715	24,154		24,154	0.3648		
UNCOLLECTIBLE	-1,279	0	0	0		-1,994		-1,994	0.3648		
TOTAL REVENUE	865,801	221,824	-32,877	0	203,865	1,258,613	417,490	841,123			
OPERATING EXPENSES											
PLANT SPECIFIC OPERATIONS	127,720	0	0	0	27,462	155,182	55,509	99,673	0.3577		
PLANT NON-SPECIFIC OPERATIONS	62,925	0	0	0	21,595	84,520	39,589	44,931	0.4684		
DEP. AND AMORT	186,282	0	0	0	101,161	287,443	115,926	171,517	0.4033		
CUSTOMER OPERATIONS	96,131	0	0	0	20,968	117,099	28,748	88,351	0.2455		
CORPORATE OPERATIONS	254,880	0	0	40,000	56,051	350,931	113,281	237,650	0.3228		
PROVISION FOR DEFERRED INCOME	0	0	0	0	0	0	0	0	0.3648		
OTHER OPERATING TAXES	81,282	0	0	0	9,103	90,385	32,972	57,413	0.3648		
INTEREST EXPENSE	25,107	0	0	0	55,023	80,130	29,231	50,899	0.3648		
TOTAL EXPENSES	834,327	0	0	40,000	291,363	1,165,690	415,256	750,434			
UTILITY OPERATING INCOME	31,474	221,824	-32,877	-40,000		92,923	2,234	90,689			

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Recap Schedules:

Schedule: C-2

(a) C-1

Title: Income Statement Pro forma

Adjustments

Explanation:

Schedule itemizing pro forma adjustments to the test year income statement.

	PROFORMA ADJUSTMENTS			
	(1) FED USF YOUNG	(2) EAS	(3) RATE CASE EXP	(4) UNSERVED AREA
OPERATING REVENUES				
LOCAL SERVICES	0	0	0	71,477
ENDUSER REVENUE (SLC)	0	0	0	10,122
INTERSTATE ACCESS	0		0	63,636
INTRASTATE ACCESS	0	-17,190	0	57,272
INTERSTATE USF	221,824	-15,687	0	
STATE USF				
DIRECTORY REVENUE	0	0	0	
MISC.	0	0	0	2,073
UNCOLLECTIBLE	0	0	0	-715
TOTAL REVENUE	221,824	-32,877	0	203,865
OPERATING EXPENSES				
PLANT SPECIFIC OPERATIONS	0	0	0	27,462
PLANT NON-SPECIFIC OPERATIONS	0	0	0	21,595
DEP. AND AMORT	0	0	0	101,161
CUSTOMER OPERATIONS	0	0	0	20,968
CORPORATE OPERATIONS	0	0	40,000	56,051
PROVISION FOR DEFERRED INCOME	0	0	0	
OTHER OPERATING TAXES	0	0	0	9,103
INTEREST EXPENSE	0	0	0	55,023
TOTAL EXPENSES	0	0	40,000	291,363
UTILITY OPERATING INCOME	221,824	-32,877	-40,000	

Note:

(1): Removal of Federal USF cap

(2): Cost of implementation of EAS

(3): Rate Case Expenses

(4): Revenue and Cost of Serving Unserved Areas (see Attached)

UNSERVED AREA DATA FOR

MILLSITE EXCHANGE
Millsite Service Area
Henderson Valley

SILVER BELL EXCHANGE
Silver Bell
Rio Verde

MTE
Cost Assumptions

EXPENSES		Year 1	Year 2	Year 3	TOTAL
Plant Specific	rate/line				
General Support	41.30 \$	9,959 \$	11,486 \$	13,012 \$	34,457
C. O. Switch	27.45 \$	6,620 \$	7,634 \$	8,648 \$	22,902
C. O. Transmission	11.28 \$	2,720 \$	3,137 \$	3,554 \$	9,411
Buried Cable Repair	33.85 \$	8,163 \$	9,414 \$	10,664 \$	28,241
Depreciation	\$	101,161 \$	107,194 \$	113,948 \$	322,303
Other					
General Plant Administration	89.55 \$	21,595 \$	24,904 \$	28,213 \$	74,712
Customer Operations	86.95 \$	20,968 \$	24,181 \$	27,394 \$	72,542
Corporate Operations	\$	56,051 \$	62,246 \$	67,804 \$	186,101
Property Taxes	37.75 \$	9,103 \$	10,497 \$	11,892 \$	31,492
Ratio Expense Total	\$	236,340 \$	260,692 \$	285,129 \$	782,160
Office Establishment Adjustment	lines				
Office 1	180 \$	236,340 \$	260,692 \$	285,129 \$	782,160
Office 2	360 \$	- \$	- \$	- \$	-
Office 3	540 \$	- \$	- \$	- \$	-
Office 4	720 \$	- \$	- \$	- \$	-
Office 5	900 \$	- \$	- \$	- \$	-
Office 6	1080 \$	- \$	- \$	- \$	-
Office 7	1260 \$	- \$	- \$	- \$	-
Office Escelation Rate	12%				
Total Expenses	\$	236,340 \$	260,692 \$	285,129 \$	782,160

PLANT INVESTMENT		Year 1	Year 2	Year 3	TOTAL
Land	\$	20,000 \$	- \$	- \$	20,000
Building	\$	50,000			
Switch	\$	350,188 \$	11,676 \$	19,676	381,540
Carrier Local	\$	106,055 \$	5,600 \$	5,600	117,255
Carrier Toll	\$	345,732 \$	13,722 \$	13,722	373,176
OSP Local	\$	87,238 \$	- \$	-	87,238
OSP Toll	\$	87,238 \$	- \$	-	87,238
Microwave	\$	82,420 \$	- \$	-	82,420
Engineering	\$	160,141 \$	4,649 \$	5,849	170,639
Lease	\$	- \$	- \$	-	
Total Plant Additions	\$	1,289,605 \$	76,908 \$	86,108	1,452,621

PLANT IN SERVICE		Year 1	Year 2	Year 3	TOTAL
Plant in Service		\$ 1,289,605	\$ 1,366,513	\$ 1,452,621	\$ 1,452,621
Plant Under Construction	\$	1,289,605 \$	76,908 \$	86,108 \$	1,452,621
Proposed Retirements	\$	- \$	- \$	- \$	-
Total Plant in Service	\$	1,289,605 \$	1,366,513 \$	1,452,621 \$	1,452,621
Less Accumulated Depreciation	\$	101,161 \$	208,355 \$	322,303	631,819
Net Plant in Service	\$	1,188,444 \$	1,158,158 \$	1,130,318 \$	820,802

MTE

Estimated Access Minutes

	Per Line Per Mo	Year 1	Year 2	Year 3
Interstate				
Originating	250	723,450	834,300	945,150
Terminating	250	723,450	834,300	945,150
State				
Originating	150	434,070	500,580	567,090
Terminating	150	434,070	500,580	567,090
Message				
Interstate	0.065789474	3,665	4,227	4,789
State	0.012083549	19,957	23,015	26,073
Ratio				
Interstate		62.50%	62.50%	62.50%
State		37.50%	37.50%	37.50%

MTE
 Projected Income Statement

Customers - 1st Year	241				
REVENUES		Year 1	Year 2	Year 3	
Local	\$ 24.70	\$ 71,477	\$ 82,429	\$ 93,381	
Interstate Access	\$ 20.00	\$ 57,876	\$ 66,744	\$ 75,612	
State Access	\$ 18.00	\$ 52,088	\$ 60,070	\$ 68,051	
Billing & Collection	\$ 0.72	\$ 2,073	\$ 2,391	\$ 2,708	
Interstate USF	\$ 23.02	\$ -	\$ -	\$ 66,616	
State USF		\$ 149,654	\$ 164,929	\$ 90,938	
Uncollectible		\$ (715)	\$ (824)	\$ (934)	
Net Operating Revenues	\$ 86.44	\$ 332,453	\$ 375,737	\$ 396,373	
EXPENSES					
Plant Specific		\$ 27,462	\$ 31,670	\$ 35,878	
Network Operations		\$ 21,595	\$ 24,904	\$ 28,213	
Depreciation		\$ 101,161	\$ 107,194	\$ 113,948	
Customer Operations		\$ 20,968	\$ 24,181	\$ 27,394	
General Admin/Other		\$ 56,051	\$ 62,246	\$ 67,804	
Property & Operating Taxes		\$ 9,103	\$ 10,497	\$ 11,892	
Office Adjustment		\$ -	\$ -	\$ -	
Total Operating Expenditures		\$ 236,340	\$ 260,692	\$ 285,129	
Operating Margin		\$ 96,113	\$ 115,046	\$ 111,244	
Other Operating Income & Expense					
Interest Expense		\$ -	\$ 82,535	\$ 84,417	
Net Income Before Taxes		\$ 96,113	\$ 32,511	\$ 26,827	
Income Taxes	0.38	\$ 36,523	\$ 12,354	\$ 10,194	
Net Income		\$ 59,590	\$ 20,157	\$ 16,633	

MTE

Projected Balance Sheet

ASSETS	Year 1	Year 2	Year 3
Current Assets			
Cash	\$ 160,751	\$ 250,105	\$ 337,384
Receivables	\$ 200,000	\$ 200,000	\$ 200,000
Material & Supplies	\$ 53,000	\$ 53,000	\$ 53,000
Property, Plant & Equipment			
Plant in Service	\$ -	\$ 1,289,605	\$ 1,366,513
Plant Under Construction	\$ 1,289,605	\$ 76,908	\$ 86,108
Less Accumulated Depreciation	\$ 101,161	\$ 208,355	\$ 322,303
Net Plant	\$ 1,188,444	\$ 1,158,158	\$ 1,130,318
TOTAL ASSETS	\$ 1,602,195	\$ 1,661,264	\$ 1,720,702
LIABILITIES			
Current Liabilities	\$ 200,000	\$ 200,000	\$ 200,000
Miscellaneous Liabilities	\$ 53,000	\$ 53,000	\$ 53,000
Debt	\$ 1,031,684	\$ 1,055,214	\$ 1,080,798
TOTAL LIABILITIES	\$ 1,284,684	\$ 1,308,214	\$ 1,333,798
EQUITY	\$ 257,921	\$ 273,303	\$ 290,524
Retained Earnings	\$ 59,590	\$ 79,747	\$ 96,380
TOTAL EQUITY	\$ 317,511	\$ 353,050	\$ 386,904
Average Annual Growth	100%	11%	10%
TOTAL LIABILITY & EQUITY	\$ 1,602,195	\$ 1,661,264	\$ 1,720,702

MTE

Proforma Statement of Cash Flows

	Year 1	Year 2	Year 3
OPERATING ACTIVITIES			
Net Income (loss)	59,590	20,157	16,633
Adjustments			
Depreciation Expense	101,161	107,194	113,948
Acq. Amort Expense			
Change in Receivable			
Change in Material & Supplies			
Change in Non-Current Assets			
Change in Current Liabilities			
Change in Miscellaneous Liabilities			
Net Cash Provided (Used)	160,751	127,351	130,581
INVESTING ACTIVITIES			
Plant & Equipment Purchases	(1,289,605)	(76,908)	(86,108)
Other			
Net Cash Provided (Used)	(1,289,605)	(76,908)	(86,108)
FINANCING ACTIVITIES			
Change in Long Term Debt	1,031,684	23,530	25,584
Other New Capital	257,921	15,382	17,222
Net Cash Provided (Used)	1,289,605	38,912	42,806
Total Net Cash Provided (Used)	160,751	89,354	87,279
CUMULATIVE CASH FLOWS	160,751	250,105	337,384

MTE
State USF

		Year 1	Year 2	Year 3
State Revenue Requirement	\$	274,577	\$ 306,603	\$ 318,052
Access Lines		241	278	315
Local Revenue				
Monthly Basic Rate	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00
Custom Calling	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Percent Uncollectible	1.0%	1.0%	1.0%	1.0%
Billing & Collection	\$	2,073	\$ 2,391	\$ 2,708
Annual Local Revenues	\$	72,835	\$ 81,605	\$ 92,447
Federal USF	\$	-	\$ -	\$ 66,616
State Access				
Average Access Rate	\$ 0.060	\$ 0.060	\$ 0.060	\$ 0.060
State Access Minutes		868,140	1,001,160	1,134,180
State Access Revenue	\$	52,088	\$ 60,070	\$ 68,051
State Support	\$	149,654	\$ 164,929	\$ 90,938
Support per Line per Month	\$	51.72	\$ 49.42	\$ 24.05

MTE
Financing Assumptions

			Year 1	Year 2	Year 3
Loan	rate	term			
1	8.00%	15	\$ 1,031,684	\$ 993,688	\$ 952,651
2	8.00%	15		\$ 61,526	\$ 59,260
3	8.00%	15			\$ 68,886
4	8.00%	15			
5	8.00%	15			
6	8.00%	15			
7	8.00%	15			
8	8.00%	15			
9	8.00%	15			
Total			\$ 1,031,684	\$ 1,055,214	\$ 1,080,798
Annual Interest					
1				\$ 82,535	\$ 79,495
2					\$ 4,922
3					
4					
5					
6					
7					
8					
9					
Total			\$ -	\$ 82,535	\$ 84,417
Annual Principal					
1				\$ 37,996	\$ 41,036
2					\$ 2,266
3					
4					
5					
6					
7					
8					
9					
Total			\$ -	\$ 37,996	\$ 43,302
Total Annual Payment					
1			\$ 120,531	\$ 120,531	\$ 120,531
2				\$ 7,188	\$ 7,188
3					\$ 8,048
4					
5					
6					
7					
8					
9					
Total			\$ 120,531	\$ 127,719	\$ 135,767
EQUITY	20%		\$ 257,921	\$ 15,382	\$ 17,222
Cumulative Equity			\$ 257,921	\$ 273,303	\$ 290,524

MTE
 Estimated Local Revenues

	Year 1	Year 2	Year 3
Access Lines			
Residential (R1)	241	278	315
Business (B1)			
Total	241	278	315

Monthly Basic Rates

Residential (R1)	\$ 24.00	\$ 24.00	\$ 24.00	\$ 24.00
Business (B1)	\$ 32.00	\$ 32.00	\$ 32.00	\$ 32.00
Custom Calling	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

Estimated Annual Local Revenues

Local	\$	69,451	\$	80,093	\$	90,734
Custom Calling	35.0%	\$ 2,026	\$	2,336	\$	2,646
Other						
Total	\$	71,477	\$	82,429	\$	93,381
Uncollectibles	1.0%	\$ 715	\$	824	\$	934

MTE

Estimated Interstate Revenues

		Year 1	Year 2	Year 3
Rate of Return		11.25%	11.25%	11.25%
Subscriber PLT Factor (SPF)		0.250	0.250	0.250
Dial Equipment Minutes (DEM)		0.2158	0.2158	0.2158
Weighted DEM	3.00	0.6474	0.6474	0.6474
CCL Revenue Requirement Factor				
Exp. Allocation (W/O B&C)		0.3547	0.3547	0.3547
PLT Allocation (W/O B&C)		0.3828	0.3828	0.3828
Interstate Settlements (Rev. Req)				
Interstate Access Rev (Calc)				
Interstate SP Access Rev. Req.				
Interstate-Billing & Collection	0.13 \$	477 \$	550 \$	623
Interstate-USF	\$	- \$	- \$	66,616

MTE

Estimated Intrastate Revenues

		Year 1	Year 2	Year 3
Rate of Return		11.000%	11.000%	11.000%
Subscriber PLT Factor (SPF)		25.00%	25.00%	25.00%
Subscriber Line Usage (SLU)		0.2195	0.2195	0.2195
Dial Equipment Minutes (DEM)		0.2195	0.2195	0.2195
Weighted DEM	3.00	0.2028	0.2028	0.2028
Exp. Allocation (W/O B&C/SP)		0.4146	0.3065	0.3065
PLT Allocation (W/O B&C/SP)		0.4536	0.3457	0.3457
State Settlements (Rev. Req)				
State Billing & Collection	0.08 \$	1,597 \$	1,841 \$	2,086
State USF				
Access Revenue	\$	- \$	- \$	-

MTE

Financial Ratios

		Year 1	Year 2	Year 3
EQUITY TO ASSETS	1	20%	21%	22%
DEBT TO OPERATING CASH FLOW	2	5.23	4.47	4.23
FIXED CHARGE COVERAGE	3	N/A	2.69	2.67
TIMES INTEREST EARNED RATIO (TIER)	4	N/A	2.69	2.67
DEBT SERVICE COVERAGE (DSC)	5	N/A	1.74	1.66
DEBT RATIO	6	76%	75%	74%

1. Equity/Total Assets
2. Debt/(EBIT + Depreciation)
3. (EBIT + Depreciation)/Fixed Charges
4. (EBIT + Depreciation)/Interest
5. (EBIT + Depreciation)/Total Loan Payments
6. Debt/(Debt + Equity)

MTE
Profit Ratios

		Year 1	Year 2	Year 3
PROFIT MARGIN	1	18%	5%	4%
RETURN ON RATE BASE	2	8%	10%	10%
RETURN ON EQUITY	3	19%	6%	4%

1. Net Income/Operating Revenue
2. EBIT/Net Plant in Service
3. Net Income/Equity

MTE

Interstate Revenue Requirement

	Year 1	Year 2	Year 3
Return on Investment			
Net Plant in Service	\$ 1,188,444	\$ 1,158,158	\$ 1,130,318
I/S Plant Factor	0.3600	0.3600	0.3600
I/S Rate of Return	11.25%	11.25%	11.25%
Return on I/S Rate Base	\$ 48,132	\$ 46,905	\$ 45,778
Expenses			
Total Operating Expenses	\$ 236,340	\$ 260,692	\$ 285,129
I/S Expense Factor	0.3600	0.3600	0.3600
I/S Operating Expenses	\$ 85,082	\$ 93,849	\$ 102,646
Interest			
Total Interest Expense	\$ -	\$ 82,535	\$ 84,417
I/S Plant Factor	0.3600	0.3600	0.3600
I/S Interest Expense	\$ -	\$ 29,712	\$ 30,390
Return on Plant less Interest	\$ 48,132	\$ 17,193	\$ 15,388
Cumulative Tax Rate	38%	38%	38%
Taxes	\$ 18,290	\$ 6,533	\$ 5,847
Gross Up Factor	1.7857	1.7857	1.7857
Income Taxes	\$ 32,661	\$ 11,667	\$ 10,442
Interstate Revenue Req. (w/o B&C)	\$ 165,875	\$ 152,421	\$ 158,866
Less CCL Rev. Requirement	\$ -	\$ -	\$ -
Less Special Access	\$ -	\$ -	\$ -
Net I/S Revenue Requirement	\$ 165,875	\$ 152,421	\$ 158,866
Interstate Access Revenue	\$ 57,876	\$ 66,744	\$ 75,612
Interstate Access Minutes	\$ 1,446,900	\$ 1,668,600	\$ 1,890,300
I/S Access Rate	\$ 0.040	\$ 0.040	\$ 0.040

MTE

Intrastate Revenue Requirement

		Year 1		Year 2		Year 3
Return on Investment						
Net Plant in Service	\$	1,188,444	\$	1,158,158	\$	1,130,318
State Plant Factor		0.6400		0.6400		0.6400
State Rate of Return		11.00%		11.00%		11.00%
Return on State Rate Base	\$	83,666	\$	81,534	\$	79,574
Expenses						
Total Operating Expenses	\$	236,340	\$	260,692	\$	285,129
State Expense Factor		0.6400		0.6400		0.6400
State Operating Expenses	\$	151,258	\$	166,843	\$	182,482
Interest						
Total Interest Expense	\$	-	\$	82,535	\$	84,417
State Plant Factor		0.6400		0.6400		0.6400
State Interest Expense	\$	-	\$	52,822	\$	54,027
Return on Plant less Interest	\$	83,666	\$	28,712	\$	25,547
Cumulative Tax Rate		35%		35%		35%
Taxes	\$	29,283	\$	10,049	\$	8,942
Gross Up Factor		1.7000		1.7000		1.7000
Income Taxes	\$	49,782	\$	17,084	\$	15,201
State Revenue Requirement (W/O B&C)	\$	284,706	\$	318,283	\$	331,284
Less CALC	\$3.50	\$ 10,128	\$	\$ 11,680	\$	\$ 13,232
Less Special Access	\$	-	\$	-	\$	-
Net State Revenue Requirement	\$	274,577	\$	306,603	\$	318,052
State Access Revenue	\$	52,088	\$	60,070	\$	68,051
State Access Minutes		868,140		1,001,160		1,134,180
Implied State Access Rate	\$ 0.06	\$ 0.060	\$	\$ 0.060	\$	\$ 0.060

MTE

	25.0%	25.0%	25.0%	
Vacation % Millsite	25.0%	25.0%	25.0%	
Vacation % Silver Bell	5.0%	5.0%	5.0%	
	Year 1	Year 2	Year 3	TOTAL
MILLSITE EXCHANGE				
Millsite Service Area	148	10	10	168
Henderson Valley	34	4	4	42
SILVER BELL EXCHANGE				
Silver Bell	57	11	11	79
Rio Verde	42	15	15	72
Vacation Adj. Millsite	-37	-3	-3	-42
Vacation Adj. Silver Bell	-3	-1	-1	-4
TOTAL	241	37	37	315
CUMULATIVE	241	278	315	315

MJE

Accounting Data on the Midvale Exchange from Larry Jeffersons 01/12/97
 1996 Arizona Cost Information

	Amount	Per Line	Adjusted	Percent							
Corporate Operations	230,574	464.87	230.43	50%							
OTHER OPERATING TAXES											
Property Taxes	37,445	75.49	37.75	50%							
Number of Lines	496										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Corporate Operations Taper	232.43	223.82	215.22	206.61	198.00	189.39	180.78	172.17	163.56	154.96	

MTE
 PROJECTED PLANT ADDITIONS

	Year 1	Year 2	Year 3	TOTAL
Land	20,000	0	0	20,000
Building	50,000	-	-	50,000
Switch	350,188	11,676	19,676	381,540
Carrier Local	106,055	5,600	5,600	117,255
Carrier Toll	45,970			45,970
OSP Local	345,732	13,722	13,722	373,176
OSP Toll	87,238			87,238
Microwave	82,420	-	-	82,420
Lease T1	41,861	41,261	41,261	124,383
Engineering	160,141	4,649	5,849	170,639
Construction Contribution	-			
TOTAL PLANT ADDITIONS	1,289,605	76,908	86,108	1,452,621

MTE
INTERSTATE USF

	Year 1	Year 2	Year 3	TOTAL
Expenditures	236,340	260,692	285,129	782,160
Allocation Factor	64.00%	0.64	0.64	0.64
Allocated	151,258	166,843	182,482	500,583
Working Loops	241.15	278.1	315.05	315.05
National Loop Cost Average	248.43	248.43	248.43	248.43
Cost @ 115%	285.69	285.69	285.69	285.69
Cost @ 150%	372.65	372.65	372.65	372.65
Cost per Loop	627.23	599.94	579.22	1,588.90
Amount between 1.15 and 1.50	86.95	86.95	86.95	86.95
Amount over 1.50	254.59	227.29	206.57	1,216.25
@				
0.65	56.52	56.52	56.52	56.52
0.75	190.94	170.47	154.93	912.19
Sum	247.46	226.99	211.45	968.71
Annual amount			66,616	-
monthly	-	-	5,551	-
support per line per month	0.00	0.00	17.62	0.00

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: C-3

Title: Computation of Gross Revenue

Recap Schedules:

A-1

Conversion Factor

Explanation:

Schedule showing incremental taxes on gross revenues and the development of a gross revenue conversion factor.

<u>Description</u>	<u>Percentage of Incremental Gross Revenues</u>
Federal Income Taxes	34%
State Income Taxes	8%
Other Taxes and Expenses: (Specify):	_____
Total Tax Percentage	<u>42%</u>
Operating Income % = 100% - Tax Percentage	

$$\frac{1}{\text{Operating Income \%}} = \text{Gross Revenue Conversion Factor}$$

Note: All tax percentages shall include the effect of other taxes upon the incremental rate. The applicant may use other formulas in developing the conversion factor.

MIDVALE TELEPHONE EXCHANGE

REGULATION R14-2-103

Exhibit 2

Schedule: D-1

Title: Summary Cost of Capital

Explanation:

Schedule showing elements of capital structure and the related cost.

Supporting Schedules. recap Schedules.

(a) D-2

(e) A-3

(b) D-3

(c) D-4

(d) E

<u>DESCRIPTION</u>	<u>CAPITAL AMOUNT</u>	<u>CAPITAL RATIO</u>	<u>COST</u>	<u>WGT COST (C x D)</u>
LONG TERM DEBT				
RTFC CONST. LOAN CASCABEL	200,631	0.1104	0.0610	0.0067
RUS 5% CASCABEL	268,586	0.1478	0.0500	0.0074
OTHER & UNSERVED	1,080,798	0.5949	0.0800	0.0476
TOTAL DEBT	<u>1,550,015</u>	0.8531		0.0617
EQUITY (CASCABEL & YOUNG, NEW)	1,816,869	1.0000	0.1300	0.1300
OTHER			-	
TOTAL EQUITY	<u>1,816,869</u>	1.0000		0.1300
TOTAL	<u><u>3,366,884</u></u>	<u>1.8531</u>		<u>0.1917</u>

MIDVALE TELEPHONE EXCHANGE

REGULATION R14-2-103

Exhibit 2

Schedule: D-2

Title: Cost of Long-Term and Short-Term
Debt

Explanation:

Schedule showing computation of cost of long and short term debt.

Supporting Schedules: Recap Schedules:

(b) E-1

(a) D-1

See Attachment E-3

See Attachment

MTE
Financing Assumptions

			Year	Year	Year
	rate	term	1	2	3
Loan					
1	8.00%	15	\$ 1,031,684	\$ 993,688	\$ 952,651
2	8.00%	15		\$ 61,526	\$ 59,260
3	8.00%	15			\$ 68,886
4	8.00%	15			
5	8.00%	15			
6	8.00%	15			
7	8.00%	15			
8	8.00%	15			
9	8.00%	15			
Total			\$ 1,031,684	\$ 1,055,214	\$ 1,080,798
Annual Interest					
1				\$ 82,535	\$ 79,495
2					\$ 4,922
3					
4					
5					
6					
7					
8					
9					
Total			\$ -	\$ 82,535	\$ 84,417
Annual Principal					
1				\$ 37,996	\$ 41,036
2					\$ 2,266
3					
4					
5					
6					
7					
8					
9					
Total			\$ -	\$ 37,996	\$ 43,302
Total Annual Payment					
1			\$ 120,531	\$ 120,531	\$ 120,531
2				\$ 7,188	\$ 7,188
3					\$ 8,048
4					
5					
6					
7					
8					
9					
Total			\$ 120,531	\$ 127,719	\$ 135,767
EQUITY	20%		\$ 257,921	\$ 15,382	\$ 17,222
Cumulative Equity			\$ 257,921	\$ 273,303	\$ 290,524

MIDVALE TELEPHONE EXCHANGE

REGULATION R14-2-103

Supporting Schedules: Recap Schedules:

Exhibit 2

(b) E-1

(a) D-1

Schedule: D-3

Title: Cost of Preferred Stock

Explanation:

Schedule showing computation of cost of preferred stock.

MTE has no preferred stock.

ARIZONA CORPORATION COMMISSION
REGULATION R14-2-103

Exhibit 2

Schedule: D-4

Title: Cost of Common Equity

Supporting Schedules: Recap Schedules:
Special Studies (D-1)

Explanation:

Schedule summarizing conclusions on the required rate of return on common equity as of the end of the test year and the projected year of exhibits in support thereof.

See Attached: Cost of Equity

ATTACHMENT TO D-4: COST OF EQUITY

Q. Dr. Reading, would you please describe the procedure you used in determining Midvale's cost of equity?

A. Yes. Several major approaches have historically been used in regulatory proceedings to estimate the cost of equity capital. The two I have used are the comparable earnings approach and the market approach. In the former approach the analyst attempts to derive the utility's cost of capital from published data on the returns that firms earn on the equity funds at their disposal. In the latter approach, the analyst uses data from securities markets to calculate the rate of return that utility investors require on the equity funds they place at the utility's disposal

Although emphasizing a different aspect of economic theory, each method attempts to measure a single concept--the cost of equity capital. In practical applications, however, these two approaches can produce somewhat different results, and they rely upon different data sources.

Q. Would you distinguish the comparable earnings approach from the market approach?

A. Yes. As I use these terms, the comparable earnings approach is grounded in the economic theory of competition in the market for goods and services, rather than the market for securities. Competition theory suggests that the return earned by the average firm in a competitive industry will tend to be equal to the opportunity cost of equity capital---the return which could be earned by investing and operating in another industry while facing comparable risk. To the extent this is temporarily not true, equity capital will tend to flow away from the industries earning insufficient returns and into the ones earning excessive returns.

As a result of this adjustment process, the balance will gradually shift.

ATTACHMENT TO D-4:

COST OF EQUITY

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As a result of this adjustment process, the balance will gradually shift.

Competition will diminish in industries which lose firms and increase in industries which gain firms. As firms leave the industries with insufficient returns, the remaining firms will tend to earn higher returns. Conversely, increased competition in industries with excessive returns will drive down returns, until they no longer exceed the opportunity cost of equity capital. The same pattern of competitive forces also occurs as firms earning high returns expand their capacity, and firms earning inadequate returns retrench. Over time, returns tend to equilibrate towards a normal level (although some individual firms may repeatedly earn more than their cost of capital, due to the presence of market power or other unique attributes).

Consequently, the theory of competition provides a basis for determining the opportunity cost of equity capital. By using the comparable earnings approach, one can estimate the long-run cost of equity as being equivalent to the level of returns being earned, on average, by firms throughout the economy. To the extent one is using this method to estimate equity costs for a firm that faces above or below average risk, it is necessary to adjust the economy-wide level of equity cost for the relevant differences in risk.

One of the major advantages of the comparable earnings approach is its simplicity. Basically, it is only necessary to determine the returns on book equity earned by firms throughout the economy over one or more business cycles and use the resulting observed average return as an estimate of the cost of equity. To the extent applicable, it may also be necessary to adjust this average cost of equity for any differences in risk that may apply to a particular context.

Q. The comparable earnings approach, properly used, appears fairly simple. Are there any pitfalls?

A. Yes, there are a few potential pitfalls. First, it is important to include a cross-section of companies in the study. This broader base prevents the possible selection of an unusual group of firms which earn returns significantly above or below the norm. Second, care must be taken to avoid the use of data from a group of firms which have a large amount of

monopoly power. Otherwise, the returns included in the study may be biased upward to a significant degree by the presence of monopoly profits. Third, it is important to resolve any differences in risk. For instance, if the firms included in the study face a higher degree of risk than the firm in question, this difference must be recognized by adjusting downward the observed returns to reflect the cost of equity to a firm facing lower risk.

Q. Would you next discuss the market approach?

A. Yes. In contrast to the comparable earnings approach, the market approach tends to be fairly complex, and it rests upon a somewhat different theoretical foundation. Generally speaking, the market approach, when properly applied, is tied to the theory of competition in the market for investment securities, rather than the market for goods and services. In a competitive securities market, the return earned on one security will tend to equal the returns earned on other securities of comparable risk. If the return earned on a particular security exceeds the level they require, investors will bid up the price of that security. By the same token, investors will bid down the market price of a security if its return is below the required level. In both cases, the price will be adjusted until the expected total return reaches the required level, which is the cost of equity capital.

The market and comparable earnings approaches are interrelated, because the theory of competition suggests that in equilibrium the cost of equity derived from the comparable earnings approach should exceed the cost of equity derived from the market approach by only a small fraction, in order to cover the transaction costs associated with common stock issuance. Only this small marginal deviation can logically persist, assuming there is sufficient competition in both the securities and goods and services markets.

To illustrate this principle, it is helpful to consider the following situation: What would happen if existing firms consistently earned returns considerably higher than the level demanded by investors in the securities market? In all probability, entrepreneurs would create new firms in an effort to share in the high returns enjoyed by existing firms. Existing firms would expand as well, in an effort to maintain their market share and take advantage of the opportunity for supra-normal profits. To fuel this growth, additional

equity shares would be issued and/or profits retained.

In the absence of barriers to entry or other factors that preclude competitive forces from being completely effective, the industry would expand, and an increased supply of equity securities would persist until the actual returns earned by firms was brought into line with the returns required by equity investors. As I have said, considering the interaction between the securities market and the markets for goods and services and assuming competition in both sets of markets, earnings on book equity should in the long run exceed the return on equity demanded by investors by only the small fraction needed to cover the transaction costs associated with securities issuances.

Q. What specific methods have you employed in your market analysis of the cost of equity?

A. I used several closely related analytic processes involving data from the financial markets and developed two sets of distinct, yet closely related, calculations: a discounted cash flow (DCF) analysis using market data for the Regional Bell Holding Companies and for the group of 10 other telecommunications companies mentioned earlier; and a risk premium analysis. Throughout these analyses I have given careful consideration to market psychology by considering additional data, such as market-to-book ratios and earnings/price ratios.

I believe that in performing a market analysis, especially in estimating the growth component in a DCF analysis, the status of investor expectations or psychology should be assessed very carefully. In my opinion, a strictly mechanical process should not be used, because this considers neither the available evidence regarding investors' moods and expectations nor subtle nuances such as the sustainability of particular growth rates (whether achieved or projected).

In the broadest sense, the market approach is simply a technique for determining the rate of return that investors require from a particular security. Since the supply of a particular security tends to be fixed at any point, securities markets allow supply and demand to match by adjusting the price to an appropriate, market-clearing rate of return.

Unfortunately, the market clearing return cannot be directly observed. Avoidance of incorrect or misleading conclusions about investor requirements entails a close examination of the securities markets and of the various psychological and economic factors that influence them.

Q. How should factors of market psychology be taken into consideration?

A. It is sometimes necessary to decide whether investors are optimistic or pessimistic about the future of the firm or firms in question. When attitudes are very negative, earnings/price ratios will be above the cost of equity, and market-to-book ratios will tend to be low, since the stock price is depressed by factors not fully reflected in the current earnings figure.

Conversely, during a period of bullish speculation, or when investor attitudes are particularly buoyant about the company in question, the calculated earnings/price ratio will tend to be less than the actual cost of equity. In effect, investors are anticipating extra earnings from their investment in the stock, beyond those reflected in the earnings per share.

Q. Let's discuss your first set of calculations under the market approach--your DCF analysis. Would you please begin with a brief overview of recent dividend yields for the RBOCs and other phone companies?

A. Yes. As shown on schedule 1, the average dividend/price ratio (yield) for the RBOCs moved from 5.0% in 1990 to 3.7% in 1997. As a group, the RBOCs averaged 4.4% for the 5-year period 1993-1997. For the 5-year period 1992-1996, the average was 4.7%. The average for the group of 10 other phone companies moved from 2.8% in 1990 to 2.2% in 1997. As a group, these firms averaged just 2.5% for the 5-year period 1993-1997, and 2.7% for the 5-year period 1992-1996.

Q. What conclusions have you drawn from your DCF analysis regarding the appropriate cost of equity capital for this proceeding?

A. I estimate the cost of equity capital for the major telecommunications carriers is 11.00% to 12.25%. This reflects my conclusion that investors require on average a return of 10.5% to 11.75% on their equity investment in the average carrier. The higher figure is calculated by factoring up the investor requirement by 4.0% to cover the cost of issuing stock - an allowance I have made rather generous by applying it to the entire equity amount, even though issuance costs are not incurred for total equity (e.g., not for reinvested earnings).

Q. Would you please briefly summarize the DCF analysis you performed in arriving at this conclusion?

A. Yes. In my discounted cash flow analysis I looked at both the Regional Bell Operating Companies and a group of other large telecommunications carriers. I used an average dividend yield of 5.00% for the RBOCs and an average dividend yield of 3.00% for the other carriers. I used a growth rate of 5.5% to 6.0% for the RBOCs and a growth rate of 8.25% to 8.75% for the other carriers. Adding the dividend yields to the corresponding growth estimates, I estimate that, on average, investors require a return of 10.5% to 11.75% in these firms.

Q. Could you please elaborate on your conclusions concerning the appropriate growth rate to use in a DCF analysis for these firms?

A. Yes. Since growth is a multidimensional phenomenon, no single variable proves adequate in describing a firm's growth, or investor expectations concerning that growth. Therefore, I have examined the historical pattern of growth in dividends, earnings, and book value for the RBOCs and the other carriers. In addition, I have reviewed the underlying growth in the industry as a whole, using billed minutes and access lines as indicators.

The historical growth statistics vary widely, depending upon the type of growth measured and the period chosen. For example, as shown on schedule 2, for the five-year

period 1993-1997, dividends for the RBOCs grew by an annual average of 3.4%. For the five-year period 1992-1996, dividends grew by an average of 3.2%. For the other phone companies, dividends grew by annual averages of 2.8% and 3.2% for these two periods, respectively. While these figures fall within a fairly narrow range, it is apparent that investors are not simply looking at the historical rate of dividend growth in valuing these stocks. To the contrary, investors recognize that the industry is growing and changing and that earnings retained in the firm will ultimately benefit investors through increased earnings and higher stock prices in future years. The earnings data generally show higher growth rates in recent years. As shown on schedule 3, for the five-year period 1993-1997, earnings for the RBOCs grew by an annual average of 8.1%. For the slightly different five-year period 1992-1996, earnings grew by an average of 10.9%. For the other phone companies, recent earnings growth rates were somewhat higher. For the two five-year periods 1993-1997 and 1992-1996, earnings growth for this group averaged 8.8% and 14.3%, respectively.

This rapid growth in earnings has been fueled, in part, by increasing profit margins and higher returns on equity---a pattern which cannot continue into the indefinite future. In fact, investors recognize that with increased competition, profit margins will be subjected to greater pressures, and while earnings are likely to continue to grow, the pace will moderate as carriers are unable to sustain a pattern of increasing profit margins.

Q. What have you learned from your examination of growth in book value for the RBOCs and other phone companies?

A. Book value is an indicator of the fundamental earnings power and value of a firm. As shown on schedule 4, for most RBOCs, book value per share has generally been in decline in the 1990s. However, the rate of decline has been moderating. Whereas for the five-year period 1992-1996, this decline averaged 3.3% per year, for the five-year period 1993-1997, the average annual decline was 2.2%. In fact, for two RBOCs--Ameritech and BellSouth--the most recent five-year period is one of positive growth. Although some of the 10 other phone companies also saw a decline in book value per share from 1990 to

1997, others did not. As a group, for the five-year period 1992-1996, there was an increase in book value per share averaging 1.3% per year. For the five-year period 1993 to 1997, the average increase rose to 2.7%.

This pattern of fluctuating book value is partly a result of substantial write-offs of asset values, changes in depreciation reserves, and other unusual factors. Hence, in the current bull market, investors have not been greatly disturbed by it. Nevertheless, the lack of substantial overall growth in book value, or net tangible assets, is a disquieting factor which runs counter to the picture of rapid earnings growth experienced by some of the firms during portions of the recent past.

Q. You mentioned you also examined two measures of underlying growth for the industry. Would you discuss these?

A. Yes. I examined growth in access lines and billed minutes from 1988 to 1997 for the RBOCs and a group of five other local providers. These data were taken from the FCC's Statistics of Common Communication Carriers, and are shown on schedule 5. As shown on page 1, access lines for the RBOCs have grown between 4.8% and 16.7% per year, for the three-year and five-year periods ending in 1993, 1994, 1995, 1996, and 1997. Growth in access lines for the five other local phone providers grew between 3% and 6% over these same three-year and five-year periods (page 2). Switched access minutes have experienced more rapid growth, averaging between 5% and 16% over the same recent five-year periods for the RBOCs (page 3). For the other carriers, the growth in access minutes has been even more rapid, averaging between 7% and 24%, depending upon the time period (page 4).

Q. Will you please discuss your observations concerning the capital market's expectations?

A. Yes. In my opinion, investor expectations are based partly on the growth rates experienced in the past and partly on attitudes about the future. The growth rates I have used in my DCF analysis for the RBOCs and other carriers are consistent with, but

generally higher than, the pattern of actual growth rates from 1990 to 1997. My estimate is substantially higher than the recent growth in dividends and book value, which is appropriate given the optimistic nature of current investor attitudes. In the end, investor *expectations*, not actual results, are relevant to the DCF approach to the equity return requirement. If investors expect a 7% growth rate, this is the relevant fact, not the actual past rate of growth in dividends (which has been low), or the past rate of growth in stock prices (which has been high).

I have used a 5.5% to 6.0% growth rate for the RBOCs and an 8.25% to 8.75% growth rate for the other carriers. Both these growth rates exceed the recent historical growth rates in dividends and book value, but they are not as high as the recent earnings rates.

Q. What is your conclusion concerning the appropriate cost of equity capital for this proceeding, based upon your DCF?

A. I estimate the cost of equity capital for the major telecommunications carriers at 10.90% to 12.25%. This is computed by adding the growth estimates to the dividend yield, then factoring up by 4.0% to cover the cost of issuing stock.

Q. Would you please explain your Risk Premium analysis?

A. Yes. A risk premium analysis, like a CAPM approach, is intended to measure the additional return, or risk premium, required by investors for bearing additional risk. Typically, this premium is measured by calculating the difference between some measure of market returns and some measure of debt returns. For my risk premium analysis, I have used market returns reported by Ibbotson Associates in *Stocks, Bonds, Bills and Inflation, 1997 Yearbook*, and yields on three-month Treasury Bills reported by the Federal Reserve. Schedule 8 shows these data for 1934 to 1997.

Q. Why did you stop at 1934, when your Ibbotson market return data went back to 1926?

A. In performing a risk premium analysis, it is important to use the same debt measure that was used to calculate the historical risk premiums. It is also important to use the same debt measure throughout the series of historical risk premium calculations. The most reliable, constant, and lengthy data series I could find was for three-month T-bills in the secondary market, as reported by the Federal Reserve. This data series extends back to 1934.

Q. Could you elaborate upon schedule 6?

A. Yes. The column labeled Returns shows annual market returns for large company stocks, as reported by Ibbotson Associates. The column labeled T-Bills shows the yield on average 30-day Treasury Bills, as reported by the Federal Reserve. The column labeled Risk Premium shows the difference between the Large Company Stock Returns, and the T-Bill yields. The columns labeled 30 Year Average show moving averages for the data series immediately to the left of each column of averages.

As shown on this schedule, equity investors have generally achieved returns in excess of the return on 30-day T-Bills. The spread between the returns on these two types of securities can be expected to be positive in most years, since stocks are more volatile and risky. However, the observed spread, or risk premium fluctuates widely from year to year. These fluctuations are caused by many different factors. In some cases, the same forces may be influencing the returns on both debt and equity securities, but not in the same manner or with the same timing. For instance, returns to equity investors tend to fluctuate in response to changes in Federal Reserve Board policies affecting interest rates, but interest rates may not fall as quickly or in the same time period.

Furthermore, the relative riskiness of debt and equity can vary, depending upon factors like government policies and changing economic conditions. Thus, it would be unrealistic to assume a perfect correlation between T-Bill or bond yields and equity returns. These fluctuations in the debt-equity spread can result in wide variations in the

risk premium measured by a particular study, depending upon the time period studied and the methodology used.

Q. What do the averages shown on schedule 6 show you about historical risk premiums?

A. The moving averages suggest that the gap between debt and equity costs has not been highly stable. It has been influenced by both fluctuations and trends in these two markets, which have not moved in unison. Since 1980, the five-year moving averages of 30-year averages have ranged from 4.9% to 8.6% but reached their low point in the 1990-94 demidecade and have since been moving back up. For purposes of my risk premium analysis, I have used a range of 5.50% to 6.50% for the equity risk premium to be added to the current risk free rate.

Q. What measure of the risk free rate have you used?

A. Consistent with my estimate of the risk premium, I have used the recent average yield on three-month T-bills in the secondary market. As reported by the Federal Reserve Board, this rate has recently fluctuated in the vicinity of 5.1% to 5.3%. Therefore, my Risk Premium analysis suggests that equity investors currently require a return in the range of 10.6% to 11.8%. Factoring this up by 4% to provide a reasonable allowance for the cost of issuing stock results in an estimate of the cost of equity capital of approximately 11.0% to 12.25%, based upon the Risk Premium approach.

Q. Would you now discuss the approach taken in your comparable earnings analysis?

A. Certainly. To provide a sufficiently broad data base for my study of achieved returns, and to avoid circular reasoning in my conclusions, I have analyzed the returns of a wide range of firms in both the industrial and the telecommunications sectors---among them the selected industries regularly reported by *Business Week*, reflecting data for some 900 companies. This wide-spectrum approach minimizes any bias inherent in the data, especially since I emphasize the earnings of groups of unregulated firms, which do not

exert large amounts of monopoly power. I have not assumed the achieved returns of a specific firm or group of firms to be adequate or reasonable when there is evidence to the contrary. Thus, any potential circular reasoning is prevented.

My analytical procedure can be summarized in five steps. First, I studied the rates of return on average common equity earned by unregulated firms. Second, on the basis of the historical earnings of these firms and an analysis of current economic conditions, I estimated the current cost of equity capital to the average unregulated firm. Third, I studied the historical returns earned by telecommunications carriers and examined the implications of trends for current investor-required return levels. Fourth, I examined the relative risk of telecommunications carriers versus the average unregulated firm. Fifth, I used the current cost of equity capital to the average unregulated firm as a benchmark, which I adjusted for differences in relative risk, in deriving an estimate of the appropriate cost of equity for use in this proceeding based upon the comparable earnings approach.

Q. What conclusions have you drawn concerning the historical rate of earnings on common book equity for industrial firms?

A. Schedule 7 shows the earnings on average common equity of Standard & Poor's index of 400 industrials. It covers a period from the early 1970s to 1997, a period long enough to include several business cycles and reflect economic trends.

For the five-year period from the year ending in the third quarter of 1993 to the year ending in the third quarter of 1997, this group of highly successful firms earned an average of 15.5%. During the five-year period 1992-1996, the returns averaged 17.9%. During the recent five-year period, from the year ending in the third quarter of 1991 to the year ending in the third quarter of 1995, earned returns on common equity for this group averaged 16.0%. The average return for the 10-year period 1988-1997 was 15.3%.

I also examined the returns earned by two broader, more comprehensive groups: the Federal Trade Commission's "All Manufacturers" group and the industries monitored by *Business Week*.

The average returns on equity for the "All Manufacturers" group are shown on

pages 2 and 3 of schedule 7. For the five-year period 1993-1997, this very broad-based group earned an average return of 14.6%. During the five-year period 1992-1996, the returns averaged 11.7%. For the 10-year period 1988-1997, returns on equity averaged 12.2%. As page 2 of schedule 7 indicates, for the "All Manufacturers" group, the return in the year ending second quarter 1997 was 17.2%, matching the year ending second quarter 1995 as a study-period high. In contrast, in the year ending first quarter 1992, the average return of this group was only 0.3%, a study period low, due to the lingering effects of the most recent recession. Looking at recent five-year periods, the returns earned by the "All Manufacturers" group were significantly reduced by the recession, the impact of increased international competition, and the long-term trend in the U.S. economy away from the manufacturing sector towards increased emphasis on services. However, as the effects of the recent recession dissipated, five-year average returns increased to a more normal level.

Pages 4 and 5 of schedule 7 depict the returns on equity for the range of industries monitored quarterly by *Business Week*. Earnings for this comprehensive group of approximately 900 companies averaged 15.5% during the years 1993-1997, 14.2% during the years 1992-1996, and 13.6% for the 10-year period 1988 through 1997. As page 4 of schedule 7 indicates, the returns of the *Business Week* group of 900 companies peaked at 17.4% in the year ending first quarter 1997, a level they had not previously attained in the 22-year study period. This group of companies reached a study-period low in the year ending fourth quarter 1991 and first quarter 1992, at 8.8%, reflecting the impact of the most recent recession. For the year ending in the fourth quarter of 1997, the most recent period for which data are available, average returns were 16.5%.

Q. Would you explain how you used this information?

A. Certainly. I looked at the equity returns that have been achieved by unregulated firms over lengthy periods of time, as well as during the recent past. I considered these observed returns, as well as current economic conditions, to estimate the current and near-future cost of equity. While unregulated returns have fluctuated quite dramatically with changes in the business cycle, the average level of these returns has been rather stable

over the longer term. For instance, the 10-year average returns for the *Business Week* group have shown some movement up and down (depending upon the severity of the recessions included in a particular 10-year period and other factors), but the overall pattern is fairly stable, ranging approximately between 12.0% and 13.6%.

Q. What have you concluded concerning the cost of equity to industrials and other unregulated firms?

A. Considering the full spectrum of information concerning returns earned in the unregulated sectors over the course of the business cycle, I have concluded that the average current and near-future opportunity cost of equity capital to a typical unregulated firm is in the neighborhood of 12.5% to 14.5%.

Q. How does your conclusion compare with the observed results?

A. My estimated range includes the 10-year average of 13.6% earned by the *Business Week* group during 1988-97, bracketed by the 12.5% and 14.5% returns earned during the recent five-year periods of 1991-1995 and 1992-1996, respectively. My estimated range is somewhat lower than the most recent five-year average of 15.5% for the period 1993-1997. This is appropriate, since these most recent returns are above the long-term average and do not reflect the full impact of the low parts of the business cycle.

My estimated range is also lower than the five-year average of 14.6% earned by the "All Manufacturing" group during 1993-97. However, it is higher than the 9.6% and 11.7% average returns earned during the five-year periods 1991-1995 and 1992-1996, respectively. It is also slightly higher than the 12.2% average returns earned by this group in the 10-year period 1988-1997. This is appropriate, since until recently the returns earned by the manufacturers were well below the normal levels, due to the lingering effects of the recession, increased foreign competition, and other factors.

While my estimate is comparable to the achieved returns of the *Business Week* group and slightly higher than the achieved returns for the "All Manufacturers" group during the past 10 years, it is substantially less than the earnings of the narrower S&P 400

industrials.

My approach to the comparable earnings method relies on the principle that over time and across a wide spectrum of firms, competitive forces will move achieved returns toward the average cost of equity. A range of 12.5% to 14.5% is consistent with the normal return earned by the average unregulated firm over the full course of the business cycle. Of course, it is lower than the returns earned by the most successful firms in the country, as well as those earned by some firms that dominate their field and thereby enjoy the benefits of a substantial degree of market power. It is higher than the returns earned by those companies that have not earned their cost of equity for extended periods, including the manufacturing firms which have been adversely affected by increased competition and changes in the economy.

Q. How does a telephone carrier's risk compare to the risk of a typical unregulated firm?

A. Historically, the equity risk of the average telephone carrier has been somewhat lower than that of the average unregulated firm. Prior to the development of significant competition, telephone carriers and most other public utilities face relatively minimal risks from unpredictable changes in the business cycle and other forces that cause industry demand to fluctuate. Now telephone carriers are facing increasing levels of competition, especially for their higher margin business customers, and their "recession proof" earnings can be eroded even during periods of the greatest prosperity.

Furthermore, since passage of the 1996 Telecommunications Act, there is now considerable uncertainty concerning how quickly new technologies will replace the installed ones, possibly rendering much current plant obsolete. In short, while local telecoms once enjoyed a level of operating risk somewhat below that of the typical industrial firm, the competitive threats to the telecoms' formerly assured customer base have seriously reduced this advantage.

Q. Are small telecoms like Midvale exposed to greater risks than the average telecom?

A. Yes. Telecommunications is a capital-intensive industry and requires continual infusions of new capital to permit network growth and modernizations and to provide new, state-of-the-art services. Small, closely held firms like Midvale must obtain the equity portion of new investment solely from profits, and the debt portion from loans that may carry above-average interest rates. For reasons discussed in my testimony, these firms are increasingly threatened by competition from larger and better financed firms. As competition grows, small LECs face a profits squeeze that threatens their ability to maintain a suitable level of new investment at a reasonable cost. This clearly makes such firms riskier than the average telecom.

Q. You have previously described your analysis of the historical returns on equity of industrial firms. Would you now please explain your parallel study of historical returns achieved by telephone carriers?

A. Yes. Schedule 8 of my exhibit displays the returns on equity earned by the RBOCs and the group of other phone companies mentioned above, for the period 1990 to 1997. As shown, the RBOCs averaged 24.1% for the five-year period 1993-1997, and 22.4% from 1992 to 1996. The group of 10 other telephone companies averaged 16.0% for the five-year period 1993-1997, and 14.3% from 1992 to 1996.

Q. What is your conclusion concerning the cost of equity based upon the comparable earnings method?

A. On balance, I believe the long-run cost of equity to a small LEC with Midvale's level of risk is in the range of 12.0% to 14.0%. This conclusion is derived from my estimate of the cost of equity to unregulated firms, which is approximately 12.5% to 14.5%, adjusting downward for differences in risk that are now relatively minor.

Q. You have derived different estimates of the Company's cost of equity by using a variety of different approaches. Is this inconsistent?

A. No. It is not inconsistent, because I have derived these estimates by methods that are theoretically and practically distinct. It would be unrealistic to expect identical results from all these different approaches, considering the differences between them. Nevertheless, the independent application of the three methods has resulted in reasonably similar conclusions: 10.9% to 12.25% from the DCF method, 12.5% to 14.5% from the risk premium approach, and 12.0% to 14.0% from the comparable earnings approach.

Q. What is your best estimate of the appropriate cost of equity to be used in this proceeding?

A. I would not recommend to the Commission that it establish a cost of equity that is at either extreme of my estimated cost ranges. Instead, I recommend that the Commission concentrate on the central area of my estimates, while giving at least some weight to each of the various methods. My "best estimate" of Midvale's cost of equity is 13.0%.

Long Term Debt*Regional Bell Operating Companies*

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1990	39.6	47.8	38.1	39.0	NA	41.1
1991	38.0	50.4	37.1	39.0	NA	41.1
1992	39.6	48.5	34.8	38.1	NA	40.3
1993	34.3	46.7	35.4	41.8	61.2	43.9
1994	42.3	52.5	34.1	41.2	58.7	45.8
1995	39.2	48.4	40.1	47.6	59.1	46.9
1996	36.8	44.1	37.9	44.7	57.0	44.1
1997	35.9	50.5	31.8	52.4	53.3	44.8
1998	33.9	57.8	29.8	49.4	92.0	52.6
1990-92	39.1	48.9	36.7	38.7	NA	40.8
1991-93	37.3	48.5	35.8	39.6	61.2	44.5
1992-94	38.7	49.2	34.8	40.4	60.0	44.6
1993-95	38.6	49.2	36.5	43.5	59.7	45.5
1994-96	39.4	48.3	37.4	44.5	58.3	45.6
1995-97	37.3	47.7	36.6	48.2	56.5	45.3
1996-98	35.5	50.8	33.2	48.8	67.4	47.2
1990-94	38.8	49.2	35.9	39.8	60.0	44.7
1991-95	38.7	49.3	36.3	41.5	59.7	45.1
1992-96	38.4	48.0	36.5	42.7	59.0	44.9
1993-97	37.7	48.4	35.9	45.5	57.9	45.1
1994-98	37.6	50.7	34.7	47.1	64.0	46.8

Long Term Debt*Other Telecommunication Providers*

	AT&T	ALLTEL	Cincinnati CTE	Bell	GTE	Frontier	Aliant	Sprint	MCI/World TDS	Com	Average
1990	33.9	46.8	45.1	40.6	53.4	43.5	33.2	50.5	34.5	67.0	44.9
1991	29.1	47.6	44.3	41.0	37.8	50.2	30.3	46.7	32.2	57.2	41.6
1992	26.1	43.7	50.4	35.8	39.1	45.8	27.5	48.2	27.8	47.4	39.2
1993	31.3	50.5	47.3	50.4	39.7	42.2	18.9	47.1	25.6	24.5	37.8
1994	32.9	53.1	44.4	48.9	32.1	40.6	18.0	44.2	23.1	30.1	36.7
1995	33.2	47.6	41.2	44.7	35.0	41.1	30.8	37.1	29.3	51.0	39.1
1996	23.9	45.4	37.8	30.6	64.3	39.0	26.7	24.1	32.3	27.0	35.1
1997	21.2	45.8	61.7	31.7	64.3	48.7	23.1	27.1	33.0	34.3	39.1
1998	15.2	51.6	62.6	72.1	62.4	48.7	25.2	32.2	45.0	34.3	44.9
1990-92	29.7	46.0	46.6	39.1	43.4	46.5	30.3	48.5	31.5	57.2	41.9
1991-93	28.8	47.3	47.3	42.4	38.9	46.1	25.6	47.3	28.5	43.0	39.5
1992-94	30.1	49.1	47.4	45.0	37.0	42.9	21.5	46.5	25.5	34.0	37.9
1993-95	32.5	50.4	44.3	48.0	35.6	41.3	22.6	42.8	26.0	35.2	37.9
1994-96	30.0	48.7	41.1	41.4	43.8	40.2	25.2	35.1	28.2	36.0	37.0
1995-97	26.1	46.3	46.9	35.7	54.5	42.9	26.9	29.4	31.5	37.4	37.8
1996-98	20.1	47.6	54.0	44.8	63.7	45.5	25.0	27.8	36.8	31.9	39.7
1990-94	30.7	48.3	46.3	43.3	40.4	44.5	25.6	47.3	28.6	45.2	40.0
1991-95	30.5	48.5	45.5	44.2	36.7	44.0	25.1	44.7	27.6	42.0	38.9
1992-96	29.5	48.1	44.2	42.1	42.0	41.7	24.4	40.1	27.6	36.0	37.6
1993-97	28.5	48.5	46.5	41.3	47.1	42.3	23.5	35.9	28.7	33.4	37.6
1994-98	25.3	48.7	49.5	45.6	51.6	43.6	24.8	32.9	32.5	35.3	39.0

Moody's Corporate Bond Yields

	Aaa	Baa
1976	8.43	9.75
1977	8.02	8.97
1978	8.73	9.49
1979	9.63	10.69
1980	11.94	13.67
1981	14.17	16.04
1982	13.79	16.11
1983	12.04	13.55
1984	12.71	14.19
1985	11.37	12.72
1986	9.02	10.39
1987	9.38	10.58
1988	9.71	10.83
1989	9.26	10.18
1990	9.32	10.36
1991	8.77	9.80
1992	8.14	8.98
1993	7.22	7.93
1994	7.97	8.63
1995	7.59	8.20
1996	7.37	8.05
1997	7.27	7.87
1998	6.53	7.22
Jan-96	6.80	7.47
Feb-96	6.99	7.63
Mar-96	7.35	8.03
Apr-96	7.50	8.19
May-96	7.62	8.30
Jun-96	7.71	8.40
Jul-96	7.65	8.35
Aug-96	7.46	8.18
Sep-96	7.66	8.35
Oct-96	7.39	8.07
Nov-96	7.10	7.79
Dec-96	7.20	7.89
Jan-97	7.42	8.09
Feb-97	7.31	7.94
Mar-97	7.55	8.18
Apr-97	7.73	8.34
May-97	7.58	8.20
Jun-97	7.41	8.02
Jul-97	17.14	7.75
Aug-97	7.22	7.82
Sep-97	7.15	7.7
Oct-97	7	7.57
Nov-97	6.87	7.42

Moody's Corporate Bond Yields

	Aaa	Baa
Dec-97	6.76	7.32
Jan-98	6.61	7.19
Feb-98	6.67	7.25
Mar-98	6.72	7.32
Apr-98	6.69	7.33
May-98	6.69	7.3
Jun-98	6.53	7.13
Jul-98	6.55	7.15
Aug-98	6.52	7.14
Sep-98	6.4	7.09
Oct-98	6.37	7.18
Nov-98	6.41	7.34
Dec-98	6.22	7.23

Dividend Yield*Regional Bell Operating Companies*

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1990	5.3%	4.9%	4.9%	4.8%	NA	5.0%
1991	5.5%	5.1%	5.5%	4.9%	NA	5.2%
1992	5.5%	5.5%	5.6%	4.4%	NA	5.2%
1993	4.6%	4.5%	4.8%	3.3%	NA	4.3%
1994	4.9%	5.1%	4.8%	3.8%	NA	4.7%
1995	4.1%	4.8%	4.0%	3.3%	5.6%	4.3%
1996	3.7%	4.0%	3.5%	3.2%	6.6%	4.2%
1997	3.3%	4.0%	3.0%	2.8%	5.5%	3.7%
1998	2.3%	3.0%	1.9%	2.1%	3.9%	2.6%
1990-92	5.4%	5.2%	5.3%	4.7%	NA	5.1%
1991-93	5.2%	5.0%	5.3%	4.2%	NA	4.9%
1992-94	5.0%	5.0%	5.1%	3.9%	NA	4.7%
1993-95	4.5%	4.8%	4.5%	3.5%	5.6%	4.6%
1994-96	4.2%	4.6%	4.1%	3.4%	6.1%	4.5%
1995-97	3.7%	4.3%	3.5%	3.1%	5.9%	4.1%
1996-98	3.1%	3.7%	2.8%	2.7%	5.3%	3.5%
1990-94	5.1%	5.0%	5.1%	4.3%	NA	4.9%
1991-95	4.9%	5.0%	4.9%	3.9%	5.6%	4.9%
1992-96	4.5%	4.8%	4.5%	3.6%	6.1%	4.7%
1993-97	4.1%	4.5%	4.0%	3.3%	5.9%	4.4%
1994-98	3.6%	4.2%	3.5%	3.1%	5.4%	3.9%

Dividend Yield

Other Telecommunication Providers

	AT&T	ALLTEL	Cincinnati CTE	Bell	GTE	Frontier	Aliant	Sprint	MCI/World TDS	Com	Average
1990	3.5%	4.1%	1.4%	3.3%	4.4%	5.1%	2.8%	3.0%	0.7%	0.0%	2.8%
1991	3.8%	3.8%	1.6%	3.7%	5.0%	5.2%	3.2%	3.8%	0.9%	0.0%	3.1%
1992	2.9%	3.6%	1.2%	4.4%	4.7%	5.4%	3.5%	4.2%	0.9%	0.0%	3.1%
1993	2.3%	3.0%	1.1%	3.9%	3.7%	4.9%	3.0%	3.0%	0.8%	0.0%	2.6%
1994	2.5%	3.3%	1.2%	4.5%	3.6%	5.8%	3.1%	3.0%	0.8%	0.0%	2.8%
1995	2.3%	3.6%	1.1%	3.1%	3.4%	5.0%	3.2%	3.0%	0.9%	0.0%	2.6%
1996	2.6%	3.4%	1.1%	1.7%	3.2%	4.3%	3.2%	2.5%	1.0%	0.0%	2.3%
1997	2.8%	3.1%	0.9%	1.4%	4.3%	4.1%	2.7%	2.0%	1.0%	0.0%	2.2%
1998	2.1%	2.3%	0.5%	1.5%	2.9%	3.2%	2.1%	1.4%	1.1%	0.0%	1.7%
1990-92	3.4%	3.8%	1.4%	3.8%	4.7%	5.3%	3.1%	3.7%	0.8%	0.0%	3.0%
1991-93	3.0%	3.5%	1.3%	4.0%	4.5%	5.2%	3.2%	3.7%	0.8%	0.0%	2.9%
1992-94	2.6%	3.3%	1.2%	4.3%	4.0%	5.4%	3.2%	3.4%	0.8%	0.0%	2.8%
1993-95	2.4%	3.3%	1.1%	3.8%	3.5%	5.3%	3.1%	3.0%	0.8%	0.0%	2.6%
1994-96	2.5%	3.4%	1.1%	3.1%	3.4%	5.0%	3.2%	2.8%	0.9%	0.0%	2.5%
1995-97	2.6%	3.4%	1.1%	2.1%	3.6%	4.5%	3.0%	2.5%	1.0%	0.0%	2.4%
1996-98	2.5%	2.9%	0.9%	1.6%	3.5%	3.9%	2.7%	2.0%	1.0%	0.0%	2.1%
1990-94	3.0%	3.5%	1.3%	3.9%	4.3%	5.3%	3.1%	3.4%	0.8%	0.0%	2.9%
1991-95	2.8%	3.4%	1.2%	3.9%	4.1%	5.3%	3.2%	3.4%	0.9%	0.0%	2.8%
1992-96	2.5%	3.4%	1.2%	3.5%	3.7%	5.1%	3.2%	3.2%	0.9%	0.0%	2.7%
1993-97	2.5%	3.3%	1.1%	2.9%	3.6%	4.8%	3.1%	2.7%	0.9%	0.0%	2.5%
1994-98	2.4%	3.1%	1.0%	2.4%	3.5%	4.5%	2.9%	2.4%	1.0%	0.0%	2.3%

Dividend Growth*Regional Bell Operating Companies*

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1990	\$0.81	\$1.18	\$0.67	\$0.68	NA	\$0.84
1991	\$0.86	\$1.24	\$0.69	\$0.70	NA	\$0.87
1992	\$0.89	\$1.29	\$0.69	\$0.72	NA	\$0.90
1993	\$0.93	\$1.34	\$0.69	\$0.75	NA	\$0.93
1994	\$0.97	\$1.37	\$0.69	\$0.78	NA	\$0.95
1995	\$1.01	\$1.40	\$0.70	\$0.81	\$2.14	\$1.21
1996	\$1.08	\$1.43	\$0.72	\$0.85	\$2.14	\$1.24
1997	\$1.15	\$1.49	\$0.72	\$0.89	\$2.14	\$1.28
1998	\$1.20	\$1.52	\$0.72	\$0.94	\$2.14	\$1.30
1990-92	4.8%	4.6%	1.5%	2.9%	NA	3.4%
1991-93	4.0%	4.0%	0.0%	3.5%	NA	2.9%
1992-94	4.4%	3.1%	0.0%	4.1%	NA	2.9%
1993-95	4.2%	2.2%	0.7%	3.9%	NA	2.8%
1994-96	5.5%	2.2%	2.2%	4.4%	NA	3.6%
1995-97	6.7%	3.2%	1.4%	4.8%	0.0%	3.2%
1996-98	5.4%	3.1%	0.0%	5.2%	0.0%	2.7%
1990-94	4.6%	3.8%	0.7%	3.5%	NA	3.2%
1991-95	4.1%	3.1%	0.4%	3.7%	NA	2.8%
1992-96	5.0%	2.6%	1.1%	4.2%	NA	3.2%
1993-97	5.5%	2.7%	1.1%	4.4%	NA	3.4%
1994-98	5.5%	2.6%	1.1%	4.8%	NA	3.5%

Dividend Growth*Other Telecommunication Providers*

	AT&T	ALLTEL	Cincinnati		GTE	Frontier	Aliant	Sprint	MCI/World		Average
			CTE	Bell					TDS	Com	
1990	\$0.88	\$0.65	\$0.12	\$0.38	\$1.52	\$0.73	\$0.37	\$1.00	\$0.28	\$0.00	\$0.59
1991	\$0.88	\$0.71	\$0.13	\$0.40	\$1.64	\$0.75	\$0.40	\$1.00	\$0.30	\$0.00	\$0.62
1992	\$0.88	\$0.76	\$0.13	\$0.40	\$1.76	\$0.77	\$0.43	\$1.00	\$0.32	\$0.00	\$0.65
1993	\$0.88	\$0.82	\$0.14	\$0.40	\$1.83	\$0.79	\$0.49	\$1.00	\$0.34	\$0.00	\$0.67
1994	\$0.88	\$0.90	\$0.14	\$0.40	\$1.88	\$0.81	\$0.53	\$1.00	\$0.36	\$0.00	\$0.69
1995	\$0.88	\$0.98	\$0.15	\$0.40	\$1.88	\$0.83	\$0.57	\$1.00	\$0.38	\$0.00	\$0.71
1996	\$0.88	\$1.05	\$0.16	\$0.40	\$1.88	\$0.85	\$0.60	\$1.00	\$0.40	\$0.00	\$0.72
1997	\$0.88	\$1.11	\$0.16	\$0.40	\$1.88	\$0.87	\$0.66	\$1.00	\$0.42	\$0.00	\$0.74
1998	\$0.88	\$1.16	\$0.17	\$0.40	\$1.88	\$0.89	\$0.71	\$1.00	\$0.44	\$0.00	\$0.75
1990-92	0.0%	8.1%	4.1%	2.6%	7.6%	2.7%	7.8%	0.0%	6.9%	0.0%	4.3%
1991-93	0.0%	7.5%	3.8%	0.0%	5.6%	2.6%	10.7%	0.0%	6.5%	0.0%	3.7%
1992-94	0.0%	8.8%	3.8%	0.0%	3.4%	2.6%	11.0%	0.0%	6.1%	0.0%	3.6%
1993-95	0.0%	9.3%	3.5%	0.0%	1.4%	2.5%	7.9%	0.0%	5.7%	0.0%	3.0%
1994-96	0.0%	8.0%	6.9%	0.0%	0.0%	2.4%	6.4%	0.0%	5.4%	0.0%	2.9%
1995-97	0.0%	6.4%	3.3%	0.0%	0.0%	2.4%	7.6%	0.0%	5.1%	0.0%	2.5%
1996-98	0.0%	5.1%	3.1%	0.0%	0.0%	2.3%	8.8%	0.0%	4.9%	0.0%	2.4%
1990-94	0.0%	8.5%	3.9%	1.3%	5.5%	2.6%	9.4%	0.0%	6.5%	0.0%	3.8%
1991-95	0.0%	8.4%	3.6%	0.0%	3.5%	2.6%	9.3%	0.0%	6.1%	0.0%	3.3%
1992-96	0.0%	8.4%	5.3%	0.0%	1.7%	2.5%	8.7%	0.0%	5.7%	0.0%	3.2%
1993-97	0.0%	7.9%	3.4%	0.0%	0.7%	2.4%	7.7%	0.0%	5.4%	0.0%	2.8%
1994-98	0.0%	6.6%	5.0%	0.0%	0.0%	2.4%	7.6%	0.0%	5.1%	0.0%	2.7%

Earnings Growth
Regional Bell Operating Companies

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1990	\$1.18	\$1.69	\$0.84	\$0.92	NA	\$1.16
1991	\$1.10	\$1.71	\$0.78	\$0.96	NA	\$1.14
1992	\$1.25	\$1.61	\$0.84	\$1.08	NA	\$1.20
1993	\$1.39	\$1.70	\$0.52	\$1.20	NA	\$1.20
1994	\$1.06	\$1.60	\$1.09	\$1.37	\$2.53	\$1.53
1995	\$1.81	\$2.13	\$0.79	\$1.55	\$2.52	\$1.76
1996	\$1.94	\$1.98	\$1.44	\$1.73	\$2.55	\$1.93
1997	\$2.08	\$1.56	\$1.65	\$0.80	\$2.42	\$1.70
1998	\$3.25	\$1.88	\$1.78	\$2.05	\$2.84	\$2.36
1990-92	2.9%	-2.4%	0.0%	8.3%	NA	2.2%
1991-93	12.4%	-0.3%	-18.4%	11.8%	NA	1.4%
1992-94	-7.9%	-0.3%	13.9%	12.6%	NA	4.6%
1993-95	14.1%	11.9%	23.3%	13.7%	NA	15.7%
1994-96	35.3%	11.2%	14.9%	12.4%	0.4%	14.8%
1995-97	7.2%	-14.4%	44.5%	-28.2%	-2.0%	1.4%
1996-98	29.4%	-2.6%	11.2%	8.9%	5.5%	10.5%
1990-94	-2.6%	-1.4%	6.7%	10.5%	NA	3.3%
1991-95	13.3%	5.6%	0.3%	12.7%	NA	8.0%
1992-96	11.6%	5.3%	14.4%	12.5%	NA	11.0%
1993-97	10.6%	-2.1%	33.5%	-9.6%	NA	8.1%
1994-98	32.3%	4.1%	13.0%	10.6%	NA	15.0%

Earnings Growth*Other Telecommunication Providers*

	AT&T	ALLTEL	Cincinnati		GTE	Frontier	Aliant	Sprint	MCI/World		Average
			CTE	Bell					TDS	Com	
1990	\$1.67	\$1.17	\$0.30	\$0.72	\$2.26	\$0.86	\$0.74	\$1.43	\$0.86	\$0.13	\$1.01
1991	\$0.27	\$1.17	\$0.36	\$0.32	\$1.69	\$1.18	\$0.83	\$1.68	\$0.59	\$0.21	\$0.83
1992	\$1.91	\$1.22	\$0.56	\$0.28	\$1.95	\$1.04	\$0.90	\$1.93	\$0.91	-\$0.01	\$1.07
1993	\$1.96	\$1.39	\$0.60	-\$0.46	\$1.03	\$1.21	\$1.01	\$1.39	\$0.67	\$0.43	\$0.92
1994	\$2.01	\$1.43	\$0.84	\$0.57	\$2.55	\$1.50	\$1.03	\$2.53	\$1.07	-\$0.47	\$1.31
1995	\$0.06	\$1.86	\$0.88	-\$0.19	\$2.62	\$0.89	\$0.84	\$2.73	\$1.74	\$0.65	\$1.21
1996	\$2.31	\$1.53	\$0.96	\$1.35	\$2.89	\$1.32	\$1.22	\$2.79	\$2.08	-\$5.50	\$1.10
1997	\$1.83	\$2.70	\$1.87	\$1.41	\$2.90	\$0.33	\$1.46	\$2.18	-\$0.19	\$0.40	\$1.49
1998	\$1.94	\$1.89	\$1.63	\$0.59	\$2.57	\$1.02	\$1.67	\$3.55	\$1.03	-\$2.02	\$1.39
1990-92	6.9%	2.1%	36.6%	NM	-7.1%	10.0%	10.3%	16.2%	2.9%	NM	9.7%
1991-93	169.4%	9.0%	29.1%	NM	-21.9%	1.3%	10.3%	-9.0%	6.6%	43.1%	26.4%
1992-94	2.6%	8.3%	22.5%	42.7%	14.4%	20.1%	7.0%	14.5%	8.4%	-585.6%	-44.5%
1993-95	-82.5%	15.7%	21.1%	35.7%	59.5%	-14.2%	-8.8%	40.1%	61.2%	22.9%	15.1%
1994-96	7.2%	3.4%	6.9%	53.9%	6.5%	-6.2%	8.8%	5.0%	39.4%	-242.1%	-11.7%
1995-97	452.3%	20.5%	45.8%	NM	5.2%	-39.1%	31.8%	-10.6%	NM	21.6%	65.9%
1996-98	-8.4%	11.1%	30.3%	NM	-5.7%	-12.1%	17.0%	12.8%	NM	39.4%	10.6%
1990-94	4.7%	5.1%	29.4%	-5.7%	3.1%	14.9%	8.6%	15.3%	5.6%	NM	9.0%
1991-95	-31.3%	12.3%	25.0%	NM	11.6%	-6.8%	0.3%	12.9%	31.0%	32.6%	9.7%
1992-96	4.9%	5.8%	14.4%	48.2%	10.3%	6.1%	7.9%	9.7%	23.0%	NM	14.5%
1993-97	-1.7%	18.1%	32.9%	NM	29.5%	-27.7%	9.6%	11.9%	NM	-1.8%	8.8%
1994-98	-0.9%	7.2%	18.0%	NM	0.2%	-9.2%	12.8%	8.8%	NM	44.0%	10.1%

Book Value Growth*Regional Bell Operating Companies*

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1990	\$7.25	\$11.20	\$6.04	\$5.92	NA	\$7.60
1991	\$7.53	\$9.74	\$5.87	\$6.07	NA	\$7.30
1992	\$6.41	\$8.87	\$6.05	\$6.51	NA	\$6.96
1993	\$7.13	\$9.30	\$6.09	\$5.35	NA	\$6.97
1994	\$5.49	\$6.93	\$6.48	\$4.68	NA	\$5.90
1995	\$6.33	\$7.63	\$5.18	\$2.89	NA	\$5.51
1996	\$6.99	\$8.47	\$5.97	\$3.59	\$6.81	\$6.37
1997	\$7.57	\$8.23	\$6.67	\$3.60	\$8.67	\$6.95
1998	\$8.03	\$8.39	\$6.79	\$4.95	\$1.50	\$5.93
1990-92	-6.0%	-11.0%	0.1%	4.9%	NA	-3.0%
1991-93	-2.7%	-2.3%	1.9%	-6.1%	NA	-2.3%
1992-94	-7.5%	-11.6%	3.5%	-15.2%	NA	-7.7%
1993-95	-5.8%	-9.4%	-7.8%	-26.5%	NA	-12.4%
1994-96	12.8%	10.6%	-4.0%	-12.4%	NA	1.7%
1995-97	9.4%	3.9%	13.5%	11.6%	NA	9.6%
1996-98	7.2%	-0.5%	6.6%	17.4%	-53.1%	-4.5%
1990-94	-6.7%	-11.3%	1.8%	-5.7%	NA	-5.5%
1991-95	-4.2%	-5.9%	-3.1%	-16.9%	NA	-7.5%
1992-96	2.2%	-1.1%	-0.3%	-13.8%	NA	-3.3%
1993-97	1.5%	-3.0%	2.3%	-9.4%	NA	-2.2%
1994-98	10.0%	4.9%	1.2%	1.4%	NA	4.4%

Book Value Growth*Other Telecommunication Providers*

	AT&T	ALLTEL	Cincinnati		GTE	Frontier	Aliant	Sprint	MCI/World		Average
			CTE	Bell					TDS	Com	
1990	\$8.28	\$4.60	\$1.64	\$2.73	\$11.52	\$6.73	\$5.01	\$10.30	\$14.17	-\$0.99	\$6.40
1991	\$7.93	\$4.58	\$1.94	\$2.74	\$9.75	\$6.53	\$5.42	\$11.54	\$18.42	-\$1.39	\$6.75
1992	\$9.03	\$4.86	\$1.52	\$2.78	\$8.30	\$6.90	\$5.80	\$12.75	\$21.27	-\$0.56	\$7.27
1993	\$6.39	\$5.53	\$1.88	\$2.48	\$7.75	\$7.10	\$5.58	\$9.26	\$24.15	-\$0.51	\$6.96
1994	\$5.38	\$5.96	\$1.73	\$2.69	\$8.63	\$9.03	\$6.07	\$10.96	\$26.87	-\$0.77	\$7.66
1995	\$3.13	\$7.64	\$2.95	\$2.29	\$4.21	\$2.13	\$3.70	\$13.30	\$29.03	NM	\$7.60
1996	\$4.48	\$8.88	\$3.60	\$3.17	\$5.01	\$3.06	\$4.31	\$19.81	\$30.27	NM	\$9.18
1997	\$5.35	\$8.87	NM	\$2.83	\$5.02	\$5.79	\$5.10	\$21.04	\$29.50	NM	\$10.44
1998	\$5.84	\$5.95	NM	\$0.28	\$5.81	\$3.00	\$3.97	NA	\$33.61	NM	\$8.35
1990-92	4.4%	2.8%	-3.7%	0.9%	-15.1%	1.3%	7.6%	11.3%	22.5%	24.8%	5.7%
1991-93	-10.2%	9.9%	-1.6%	-4.9%	-10.8%	4.3%	1.5%	-10.4%	14.5%	39.4%	3.2%
1992-94	-22.8%	10.7%	6.7%	-1.6%	2.0%	14.4%	2.3%	-7.3%	12.4%	-17.3%	-0.1%
1993-95	-30.0%	17.5%	25.3%	-3.9%	-26.3%	-45.2%	-18.6%	19.8%	9.6%	NM	-5.7%
1994-96	-8.7%	22.1%	44.3%	8.6%	-23.8%	-41.8%	-15.7%	34.4%	6.1%	NM	2.8%
1995-97	30.7%	7.7%	NM	11.2%	9.2%	64.9%	17.4%	25.8%	0.8%	NM	21.0%
1996-98	14.2%	-18.1%	NM	-70.3%	7.7%	-1.0%	-4.0%	NM	5.4%	NM	-9.5%
1990-94	-10.2%	6.7%	1.3%	-0.4%	-7.0%	7.6%	4.9%	1.6%	17.3%	6.1%	2.8%
1991-95	-20.7%	13.6%	11.0%	-4.4%	-18.9%	-24.4%	-9.1%	3.6%	12.0%	NM	-4.1%
1992-96	-16.1%	16.3%	24.1%	3.3%	-11.9%	-18.4%	-7.2%	11.6%	9.2%	NM	1.2%
1993-97	-4.3%	12.5%	NM	3.4%	-10.3%	-5.0%	-2.2%	22.8%	5.1%	NM	2.7%
1994-98	2.1%	0.0%	NM	-43.2%	-9.4%	-24.1%	-10.1%	NM	5.8%	NM	-11.3%

Access Lines
Regional Bell Operating Companies

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1988	15,506,716	16,987,902	16,472,345	11,002,755	12,081,921	14,410,328
1989	16,050,334	17,427,773	17,005,219	11,444,061	12,306,536	14,846,785
1990	16,530,254	17,519,897	17,721,561	11,817,930	13,775,772	15,473,083
1991	17,145,539	18,450,696	18,873,508	12,129,433	14,561,420	16,232,119
1992	17,548,344	18,523,434	19,209,116	12,603,033	14,880,130	16,552,811
1993	19,395,216	19,081,236	20,151,725	13,846,767	16,472,699	17,789,529
1994	20,927,303	19,687,840	21,251,809	15,518,352	16,949,326	18,866,926
1995	21,889,862	20,705,444	22,595,391	16,343,358	17,671,800	19,841,171
1996	22,998,065	22,017,467	24,493,047	17,601,589	19,385,649	21,299,163
1997	23,817,209	44,034,427	25,732,881	18,701,085	25,294,165	27,515,953
1998	25,449,161	48,978,374	28,405,719	20,342,905	23,355,703	29,306,372
1991-93	6.36%	1.69%	3.33%	6.84%	6.36%	4.92%
1992-94	9.20%	3.10%	5.18%	10.96%	6.73%	7.03%
1993-95	6.24%	4.17%	5.89%	8.64%	3.58%	5.70%
1994-96	4.83%	5.75%	7.36%	6.50%	6.95%	6.28%
1995-97	4.31%	45.83%	6.72%	6.97%	19.64%	16.69%
1996-98	5.19%	49.15%	7.69%	7.51%	9.76%	15.86%
1989-93	4.85%	2.29%	4.34%	4.88%	7.56%	4.78%
1990-94	6.07%	2.96%	4.65%	7.05%	5.32%	5.21%
1991-95	6.30%	2.92%	4.60%	7.74%	4.96%	5.30%
1992-96	7.00%	4.41%	6.26%	8.71%	6.84%	6.64%
1993-97	5.27%	23.25%	6.30%	7.80%	11.32%	10.79%
1994-98	3.69%	192.34%	2.26%	7.45%	18.56%	44.86%

Access Lines
Selected Other Telecommunications Carriers

	Cincinnati Bell	GTE	Aliant	Frontier	Sprint	Average
1988	793,400	13,102,737	216,414	417,438	4,001,433	3,706,284
1989	818,469	13,747,905	224,978	449,971	4,247,507	3,897,766
1990	845,938	13,968,461	233,952	478,414	4,754,974	4,056,348
1991	851,939	14,485,786	238,995	471,037	5,111,628	4,231,877
1992	835,800	15,105,141	248,479	485,261	5,464,326	4,427,801
1993	860,611	15,859,221	260,898	495,493	5,756,063	4,646,457
1994	899,233	16,488,011	279,633	504,546	6,194,806	4,873,246
1995	950,093	17,354,019	294,670	527,398	6,522,069	5,129,650
1996	995,491	18,406,333	316,415	534,908	6,966,670	5,443,963
1997	1,069,576	19,805,237	344,128	570,072	7,650,871	5,887,977
1998	1,119,285	21,251,644	367,335	910,753	8,491,438	6,428,091
1991-93	0.51%	4.63%	4.48%	2.56%	6.12%	3.66%
1992-94	3.73%	4.48%	6.08%	1.97%	6.47%	4.55%
1993-95	5.07%	4.61%	6.28%	3.17%	6.45%	5.11%
1994-96	5.22%	5.66%	6.37%	2.96%	6.05%	5.25%
1995-97	6.10%	6.83%	8.07%	3.97%	8.31%	6.65%
1996-98	6.04%	7.45%	7.75%	30.49%	10.40%	12.42%
1989-93	1.26%	3.64%	3.77%	2.44%	7.89%	3.80%
1990-94	1.54%	4.23%	4.56%	1.34%	6.84%	3.70%
1991-95	2.76%	4.62%	5.37%	2.87%	6.28%	4.38%
1992-96	4.47%	5.07%	6.23%	2.47%	6.26%	4.90%
1993-97	5.58%	5.71%	7.17%	3.57%	7.37%	5.88%
1994-98	5.63%	6.55%	7.06%	15.91%	8.20%	8.67%

Access Minutes
Regional Bell Operating Companies

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1988	43,683,196	24,860,471	47,824,048	31,412,395	33,494,724	36,254,967
1989	43,165,726	28,223,300	52,752,316	34,295,205	36,206,426	38,928,595
1990	47,518,605	57,124,787	57,022,770	36,211,005	38,839,855	47,343,404
1991	50,180,951	58,674,652	60,490,645	38,926,806	41,695,256	49,993,662
1992	50,369,643	60,330,109	65,494,399	40,278,920	44,353,500	52,165,314
1993	53,528,374	65,256,014	68,605,714	42,574,592	47,651,286	55,523,196
1994	55,153,438	69,726,960	74,666,114	46,320,538	51,895,200	59,552,450
1995	60,662,630	75,971,445	80,581,493	50,888,650	57,513,469	65,123,537
1996	67,102,673	83,233,558	88,860,606	55,112,455	62,427,252	71,347,309
1997	75,664,124	154,120,794	97,106,591	59,392,090	67,572,284	90,771,177
1998	82,526,878	164,714,569	103,074,709	62,852,532	71,406,744	96,915,086
1991-93	3.28%	5.46%	6.50%	4.58%	6.90%	5.34%
1992-94	4.64%	7.51%	6.77%	7.24%	8.17%	6.87%
1993-95	6.46%	7.90%	8.38%	9.33%	9.86%	8.38%
1994-96	10.30%	9.26%	9.09%	9.08%	9.68%	9.48%
1995-97	11.68%	42.43%	9.78%	8.03%	8.39%	16.06%
1996-98	10.90%	40.67%	7.70%	6.79%	6.95%	14.60%
1989-93	5.53%	23.31%	6.79%	5.56%	7.11%	9.66%
1990-94	3.80%	5.11%	6.97%	6.35%	7.51%	5.95%
1991-95	4.86%	6.67%	7.43%	6.93%	8.37%	6.85%
1992-96	7.43%	8.38%	7.93%	8.15%	8.92%	8.16%
1993-97	9.04%	23.97%	9.07%	8.68%	9.12%	11.98%
1994-98	10.60%	23.97%	8.39%	7.93%	8.31%	11.84%

Access Minutes
Selected Other Telecommunications Carriers

	Cincinnati Bell	GTE	Aliant	Frontier	Sprint	Average
1988	2,077,117	13,823,618	274,170	1,192,543	7,834,541	5,040,398
1989	1,134,756	15,847,756	303,140	1,300,377	7,703,500	5,257,906
1990	1,227,165	39,711,050	337,166	1,393,095	11,554,370	10,844,569
1991	1,287,563	44,419,578	691,160	1,460,194	12,648,406	12,101,380
1992	2,630,168	47,788,105	726,605	1,527,553	15,099,211	13,554,328
1993	2,799,776	53,373,945	798,667	1,591,319	18,403,954	15,393,532
1994	3,034,158	56,874,798	851,429	1,690,099	22,746,529	17,039,403
1995	3,263,783	61,813,089	894,182	1,780,571	24,719,929	18,494,311
1996	3,536,867	67,336,882	958,697	1,889,198	27,721,990	20,288,727
1997	3,810,356	72,665,235	1,010,758	1,965,831	29,420,809	21,774,598
1998	4,062,895	83,019,604	1,073,584	2,014,057	31,594,337	24,352,895
1991-93	47.46%	9.62%	7.50%	4.39%	20.63%	17.92%
1992-94	7.41%	9.09%	8.25%	5.19%	22.74%	10.53%
1993-95	7.97%	7.62%	5.81%	5.78%	15.90%	8.61%
1994-96	7.97%	8.81%	6.11%	5.73%	10.40%	7.80%
1995-97	8.05%	8.42%	6.32%	5.07%	9.09%	7.39%
1996-98	7.18%	11.04%	5.82%	3.25%	6.76%	6.81%
1989-93	25.33%	35.47%	27.40%	5.18%	24.32%	23.54%
1990-94	25.40%	9.40%	26.06%	4.95%	18.45%	16.85%
1991-95	26.18%	8.61%	6.65%	5.08%	18.24%	12.95%
1992-96	7.69%	8.95%	7.18%	5.46%	16.40%	9.13%
1993-97	8.01%	8.02%	6.06%	5.43%	12.44%	7.99%
1994-98	7.57%	9.92%	5.97%	4.48%	8.56%	7.30%

Risk Premia
Large Company Stock

	Returns	30 Year Average	T-Bills	30 Year Average	Risk Premium	30 Year Average
1934	-1.4%		0.28%		-1.7%	
1935	47.7%		0.17%		47.5%	
1936	33.9%		0.17%		33.8%	
1937	-35.0%		0.28%		-35.3%	
1938	31.1%		0.07%		31.1%	
1939	-0.4%		0.05%		-0.5%	
1940	-9.8%		0.04%		-9.8%	
1941	-11.6%		0.13%		-11.7%	
1942	20.3%		0.34%		20.0%	
1943	25.9%		0.38%		25.5%	
1944	19.8%		0.38%		19.4%	
1945	36.4%		0.38%		36.1%	
1946	-8.1%		0.38%		-8.5%	
1947	5.7%		0.60%		5.1%	
1948	5.5%		1.05%		4.5%	
1949	18.8%		1.12%		17.7%	
1950	31.7%		1.20%		30.5%	
1951	24.0%		1.52%		22.5%	
1952	18.4%		1.72%		16.7%	
1953	-1.0%		1.89%		-2.9%	
1954	52.6%		0.94%		51.7%	
1955	31.6%		1.72%		29.8%	
1956	6.6%		2.62%		3.9%	
1957	-10.8%		3.22%		-14.0%	
1958	43.4%		1.77%		41.6%	
1959	12.0%		3.39%		8.6%	
1960	0.5%		2.87%		-2.4%	
1961	26.9%		2.35%		24.5%	
1962	-8.7%		2.77%		-11.5%	
1963	22.8%	14.3%	3.16%	1.2%	19.6%	13.1%
1964	16.5%	14.9%	3.55%	1.3%	12.9%	13.5%
1965	12.5%	13.7%	3.95%	1.5%	8.5%	12.2%
1966	-10.1%	12.2%	4.86%	1.6%	-14.9%	10.6%
1967	24.0%	14.2%	4.29%	1.8%	19.7%	12.5%
1968	11.1%	13.5%	5.34%	1.9%	5.7%	11.6%
1969	-8.5%	13.3%	6.67%	2.2%	-15.2%	11.1%

Risk Premia*Large Company Stock*

	Returns	30 Year Average	T-Bills	30 Year Average	Risk Premium	30 Year Average
1970	4.0%	13.7%	6.39%	2.4%	-2.4%	11.4%
1971	14.3%	14.6%	4.33%	2.5%	10.0%	12.1%
1972	19.0%	14.6%	4.06%	2.6%	14.9%	11.9%
1973	-14.7%	13.2%	7.04%	2.9%	-21.7%	10.3%
1974	-26.5%	11.7%	7.85%	3.1%	-34.3%	8.6%
1975	37.2%	11.7%	5.79%	3.3%	31.4%	8.4%
1976	23.8%	12.7%	4.98%	3.4%	18.9%	9.3%
1977	-7.2%	12.3%	5.26%	3.6%	-12.4%	8.7%
1978	6.6%	12.4%	7.18%	3.8%	-0.6%	8.6%
1979	18.4%	12.3%	10.05%	4.1%	8.4%	8.3%
1980	32.4%	12.4%	11.39%	4.4%	21.0%	7.9%
1981	-4.9%	11.4%	14.04%	4.8%	-19.0%	6.6%
1982	21.4%	11.5%	10.60%	5.1%	10.8%	6.4%
1983	22.5%	12.3%	8.62%	5.4%	13.9%	6.9%
1984	6.3%	10.7%	9.54%	5.7%	-3.3%	5.1%
1985	32.2%	10.8%	7.47%	5.8%	24.7%	4.9%
1986	18.5%	11.2%	5.97%	6.0%	12.5%	5.2%
1987	5.2%	11.7%	5.78%	6.0%	-0.6%	5.6%
1988	16.8%	10.8%	6.67%	6.2%	10.1%	4.6%
1989	31.5%	11.5%	8.11%	6.4%	23.4%	5.1%
1990	-3.2%	11.3%	7.50%	6.5%	-10.7%	4.8%
1991	30.6%	11.5%	5.38%	6.6%	25.2%	4.8%
1992	7.7%	12.0%	3.43%	6.6%	4.2%	5.4%
1993	10.0%	11.6%	3.00%	6.6%	7.0%	4.9%
1994	1.3%	11.1%	4.25%	6.7%	-2.9%	4.4%
1995	37.4%	11.9%	5.49%	6.7%	31.9%	5.2%
1996	23.1%	13.0%	5.01%	6.7%	18.1%	6.3%
1997	33.4%	13.3%	5.06%	6.7%	28.3%	6.6%

Risk Premia*Large Company Stock*

	Returns	30 Year Average	T-Bills	30 Year Average	Risk Premium	30 Year Average
<i>5 Year Average</i> 1976-80	14.8%	12.4%	7.8%	3.9%	7.0%	8.6%
1977-81	9.1%	12.2%	9.6%	4.2%	-0.5%	8.0%
1978-82	14.8%	12.0%	10.7%	4.5%	4.1%	7.5%
1979-83	18.0%	12.0%	10.9%	4.8%	7.0%	7.2%
1980-84	15.5%	11.7%	10.8%	5.1%	4.7%	6.6%
1981-85	15.5%	11.3%	10.1%	5.4%	5.4%	6.0%
1982-86	20.2%	11.3%	8.4%	5.6%	11.7%	5.7%
1983-87	16.9%	11.3%	7.5%	5.8%	9.5%	5.6%
1984-88	15.8%	11.0%	7.1%	5.9%	8.7%	5.1%
1985-89	20.8%	11.2%	6.8%	6.1%	14.0%	5.1%
1986-90	13.8%	11.3%	6.8%	6.2%	7.0%	5.1%
1987-91	16.2%	11.4%	6.7%	6.4%	9.5%	5.0%
1988-92	16.7%	11.4%	6.2%	6.5%	10.5%	4.9%
1989-93	15.3%	11.6%	5.5%	6.6%	9.8%	5.0%
1990-94	9.3%	11.5%	4.7%	6.6%	4.6%	4.9%
1991-95	17.4%	11.6%	4.3%	6.7%	13.1%	5.0%
1992-96	15.9%	11.9%	4.2%	6.7%	11.7%	5.2%
1993-97	21.0%	12.2%	4.6%	6.7%	16.5%	5.5%

Returns on Average Equity
*Standard & Poor's Industrials*¹

Year Ended	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1972	11.2%	11.4%	11.6%	12.0%
1973	12.6%	13.2%	13.8%	14.6%
1974	14.7%	15.0%	15.3%	14.8%
1975	13.8%	12.7%	12.0%	12.3%
1976	13.3%	13.9%	14.0%	14.5%
1977	14.4%	14.5%	14.5%	14.6%
1978	14.3%	14.4%	14.6%	15.3%
1979	16.2%	16.8%	17.3%	17.2%
1980	17.4%	16.5%	15.8%	15.6%
1981	14.8%	15.0%	14.9%	14.9%
1982	14.0%	13.0%	12.2%	11.3%
1983	10.9%	10.8%	11.3%	12.2%
1984	13.2%	14.0%	14.0%	14.6%
1985	14.0%	12.8%	12.0%	12.2%
1986	11.8%	12.0%	11.9%	11.5%
1987	11.9%	12.4%	13.6%	15.6%
1988	16.6%	17.4%	17.7%	19.0%
1989	19.3%	18.7%	18.0%	18.4%
1990	17.0%	16.4%	15.8%	16.3%
1991	15.6%	14.0%	12.4%	10.9%
1992	10.8%	11.2%	11.7%	11.7%
1993	13.3%	12.1%	12.6%	13.9%
1994	15.9%	18.1%	19.5%	21.4%
1995	24.0%	24.6%	24.0%	21.8%
1996	21.7%	21.1%	21.4%	22.6%
1997	24.9%	24.2%	23.2%	22.0%
1982-91	14.4%	14.1%	13.9%	14.2%
1983-92	14.1%	14.0%	13.9%	14.3%
1984-93	14.3%	14.1%	14.0%	14.4%
1985-94	14.6%	14.5%	14.5%	15.1%
1986-95	15.6%	15.7%	15.7%	16.1%
1987-96	16.6%	16.6%	16.7%	17.2%
1988-97	17.9%	17.8%	17.6%	17.8%
1993-89	15.2%	14.5%	14.1%	14.3%
1990-94	14.5%	14.4%	14.4%	14.9%
1991-95	15.9%	16.0%	16.0%	16.0%
1992-96	17.1%	17.4%	17.9%	18.3%
1993-97	20.0%	20.0%	20.1%	20.4%

¹ Estimated on basis of indicated increase in retained earnings

Return on Common Equity
FTC All Manufacturing Corporations

Year Ended	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1975	13.6%	12.4%	11.6%	11.6%
1976	12.7%	13.6%	14.0%	14.0%
1977	13.9%	14.0%	13.9%	14.2%
1978	14.0%	14.2%	14.6%	15.0%
1979	15.8%	16.2%	16.6%	16.5%
1980	16.4%	15.3%	14.3%	13.9%
1981	13.4%	13.9%	14.2%	13.7%
1982	12.8%	11.5%	10.5%	9.3%
1983	8.7%	8.8%	9.3%	10.5%
1984	11.7%	12.6%	12.7%	12.5%
1985	12.0%	11.1%	10.6%	10.2%
1986	9.8%	10.1%	9.7%	9.5%
1987	10.1%	10.6%	12.1%	12.9%
1988	14.0%	14.8%	15.1%	16.1%
1989	15.9%	15.2%	14.6%	13.5%
1990	12.4%	12.1%	11.6%	10.6%
1991	9.6%	8.4%	7.3%	6.3%
1992	0.2%	0.9%	1.9%	2.0%
1993	7.5%	7.0%	6.8%	8.0%
1994	10.2%	12.0%	13.8%	15.7%
1995	16.8%	17.2%	17.0%	16.0%
1996	15.6%	15.4%	16.0%	16.7%
1997	17.0%	17.2%	16.8%	16.6%

Return on Common Equity
FTC All Manufacturing Corporations

	Year Ended	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>20 Year Average</i>	1975-94	11.7%	11.7%	11.7%	11.8%
	1976-95	11.9%	12.0%	12.0%	12.0%
	1977-96	12.0%	12.1%	12.1%	12.1%
	1978-97	12.2%	12.2%	12.3%	12.3%
<i>10 Year Average</i>	1984-93	10.3%	10.3%	10.2%	10.1%
	1985-94	10.2%	10.2%	10.3%	10.5%
	1986-95	10.6%	10.8%	11.0%	11.1%
	1987-96	11.2%	11.4%	11.6%	11.8%
	1988-97	11.9%	12.0%	12.1%	12.2%
<i>5 Year Average</i>	1989-93	9.1%	8.7%	8.4%	8.1%
	1990-94	8.0%	8.1%	8.3%	8.5%
	1991-95	8.8%	9.1%	9.3%	9.6%
	1992-96	10.0%	10.5%	11.1%	11.7%
	1993-97	13.4%	13.8%	14.1%	14.6%

Return on Common Equity
Business Week All Industry Composite

Year Ended	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1975	13.4%	12.6%	12.0%	11.8%
1976	13.0%	13.2%	13.7%	14.0%
1977	13.6%	14.1%	14.1%	14.1%
1978	14.1%	14.3%	14.7%	15.1%
1979	16.0%	16.3%	16.5%	16.6%
1980	17.0%	15.9%	15.4%	15.3%
1981	14.8%	15.2%	15.2%	14.0%
1982	13.5%	12.5%	11.9%	11.0%
1983	10.7%	10.6%	10.8%	11.5%
1984	12.4%	13.3%	13.5%	13.2%
1985	13.1%	12.2%	11.8%	11.2%
1986	11.0%	10.6%	10.9%	10.4%
1987	11.0%	10.4%	10.9%	11.6%
1988	12.2%	14.1%	14.6%	14.8%
1989	15.5%	15.8%	14.5%	13.2%
1990	12.9%	12.5%	11.3%	11.7%
1991	11.5%	10.3%	9.8%	8.8%
1992	8.8%	9.7%	9.8%	10.0%
1993	11.4%	11.4%	12.1%	11.9%
1994	12.5%	13.6%	14.4%	15.9%
1995	16.9%	17.1%	17.0%	16.3%
1996	16.3%	16.2%	16.0%	16.8%
1997	17.4%	16.9%	16.8%	16.5%

Return on Common Equity
Business Week All Industry Composite

	Year Ended	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<i>20 Year</i>	1975-94	12.9%	12.9%	12.9%	12.8%
<i>Moving Average</i>	1976-95	13.1%	13.2%	13.1%	13.0%
	1977-96	13.3%	13.3%	13.3%	13.2%
	1978-97	13.5%	13.4%	13.4%	13.3%
<i>10 Year</i>	1985-94	12.0%	12.1%	12.0%	12.0%
<i>Moving Average</i>	1986-95	12.4%	12.6%	12.5%	12.5%
	1987-96	12.9%	13.1%	13.0%	13.1%
	1988-97	13.5%	13.8%	13.6%	13.6%
<i>5 Year</i>	1990-94	11.4%	11.5%	11.5%	11.7%
<i>Moving Average</i>	1991-95	12.2%	12.4%	12.6%	12.6%
	1992-96	13.2%	13.6%	13.9%	14.2%
	1993-97	14.9%	15.0%	15.3%	15.5%

Return on Equity
Regional Bell Operating Companies

	Ameritech	Bell Atlantic	BellSouth	SBC	US West	Average
1990	16.3%	14.8%	12.8%	12.9%	NA	14.2%
1991	14.5%	15.9%	11.3%	13.0%	10.4%	13.0%
1992	19.8%	17.4%	11.9%	14.3%	13.7%	15.4%
1993	20.4%	17.3%	6.3%	19.2%	39.0%	20.4%
1994	14.4%	19.6%	15.4%	20.7%	39.0%	21.8%
1995	30.7%	29.2%	11.9%	25.9%	32.8%	26.1%
1996	29.0%	24.7%	22.8%	32.1%	31.6%	28.0%
1997	28.7%	24.3%	22.2%	15.1%	29.6%	24.0%
1998	37.6%	23.2%	21.0%	35.4%	NM	29.3%
1990-92	16.9%	16.0%	12.0%	13.4%	12.1%	14.1%
1991-93	18.2%	16.9%	9.8%	15.5%	21.0%	16.3%
1992-94	18.2%	18.1%	11.2%	18.1%	30.6%	19.2%
1993-95	21.8%	22.0%	11.2%	21.9%	36.9%	22.8%
1994-96	24.7%	24.5%	16.7%	26.2%	34.5%	25.3%
1995-97	29.5%	26.1%	19.0%	24.4%	31.3%	26.0%
1996-98	31.8%	24.1%	22.0%	27.5%	30.6%	27.2%
1990-94	17.1%	17.0%	11.5%	16.0%	25.5%	17.4%
1991-95	20.0%	19.9%	11.4%	18.6%	27.0%	19.4%
1992-96	22.9%	21.6%	13.7%	22.4%	31.2%	22.4%
1993-97	24.6%	23.0%	15.7%	22.6%	34.4%	24.1%
1994-98	28.1%	24.2%	18.7%	25.8%	33.3%	26.0%

Return on Equity

Other Telecommunication Providers

	AT&T	ALLTEL	Cincinnati		GTE	Frontier	Aliant	Sprint	MCI/World		Average
			CTE	Bell					TDS	Com	
1990	20.2%	19.3%	11.6%	15.8%	18.1%	11.2%	15.2%	18.2%	6.6%	26.4%	16.3%
1991	3.2%	18.0%	12.5%	6.6%	14.5%	15.0%	16.0%	15.0%	3.6%	24.0%	12.8%
1992	21.4%	18.8%	17.0%	6.0%	16.9%	11.6%	15.9%	15.8%	4.8%	NM	14.2%
1993	24.3%	18.3%	15.4%	NM	10.0%	13.0%	17.7%	12.1%	3.0%	9.4%	13.7%
1994	27.7%	17.1%	17.2%	13.7%	23.3%	14.0%	17.5%	20.7%	4.4%	NM	17.3%
1995	0.8%	20.0%	14.9%	NM	29.2%	16.0%	12.6%	20.6%	6.5%	11.7%	14.7%
1996	29.9%	14.5%	13.5%	33.3%	39.4%	22.5%	16.7%	18.1%	6.8%	NM	21.6%
1997	20.8%	23.6%	22.1%	31.9%	36.3%	5.4%	18.2%	10.8%	NM	2.7%	19.1%
1998	21.7%	91.2%	16.2%	22.7%	27.9%	18.1%	19.2%	4.2%	NM	NM	27.7%
1990-92	14.9%	18.7%	13.7%	9.5%	16.5%	12.6%	15.7%	16.3%	5.0%	25.2%	14.8%
1991-93	16.3%	18.4%	15.0%	6.3%	13.8%	13.2%	16.5%	14.3%	3.8%	16.7%	13.4%
1992-94	24.5%	18.1%	16.5%	9.9%	16.7%	12.9%	17.0%	16.2%	4.1%	9.4%	14.5%
1993-95	17.6%	18.5%	15.8%	13.7%	20.8%	14.3%	15.9%	17.8%	4.6%	10.6%	15.0%
1994-96	19.5%	17.2%	15.2%	23.5%	30.6%	17.5%	15.6%	19.8%	5.9%	11.7%	17.7%
1995-97	17.2%	19.4%	16.8%	32.6%	35.0%	14.6%	15.8%	16.5%	6.7%	7.2%	18.2%
1996-98	24.1%	43.1%	17.3%	29.3%	34.5%	15.3%	18.0%	11.0%	6.8%	2.7%	20.2%
1990-94	19.4%	18.3%	14.7%	10.5%	16.6%	13.0%	16.5%	16.4%	4.5%	19.9%	15.0%
1991-95	15.5%	18.4%	15.4%	8.8%	18.8%	13.9%	15.9%	16.8%	4.5%	15.0%	14.3%
1992-96	20.8%	17.7%	15.6%	17.7%	23.8%	15.4%	16.1%	17.5%	5.1%	10.6%	16.0%
1993-97	20.7%	18.7%	16.6%	26.3%	27.6%	14.2%	16.5%	16.5%	5.2%	7.9%	17.0%
1994-98	20.2%	33.3%	16.8%	25.4%	31.2%	15.2%	16.8%	14.9%	5.9%	7.2%	18.7%

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: E-1

Title: Comparative Balance Sheet

Explanation:

Schedule showing comparative balance sheets at the end of the test year and the 2 fiscal years ended prior to the test year.

Supporting Schedules:
(a) E-5

Recap Schedules:
(b) A-3

	1999	1998	1997
ASSETS			
CASH	10,509	0	0
ACCOUNTS RECEIVABLE	74,237	50,875	67,957
INVENTORY	0	0	0
PREPAID EXPENSES	0	99,377	0
INVESTMENTS	0	0	0
TOTAL CURRENT	84,746	150,252	67,957
NON-REGUALTED	0	0	0
OTHER-NON CURRENT	0	0	0
EXTRAORDINARY PLANT RET	112,099	0	0
TELEPHONE PLANT UNDER CON	0	0	16,259
PLANTACQADJ	176,867	191,709	206,551
TELEPHONE PLANT IN SERVICE	3,060,663	3,034,757	2,573,354
LESS ACCUM DEP	-1,204,570	-1,122,615	-965,150
TOTAL ASSETS	2,229,806	2,254,103	1,898,972
LIABILITIES & EQUITY			
ACCOUNTS PAYABLE	16,857	14,989	254
ACCRUEDPAYROLL&OTHER	11,594	2,016	1,822
ACCRUED INTEREST	0	0	0
LONG TERM DEBT	470,233	540,580	578,237
DEFERREDTAXES	156,381	161,124	119,500
EQUITY	1,574,741	1,535,394	1,199,159
TOTAL LIABILITIES & EQUITY	2,229,806	2,254,103	1,898,972

Note: See Attached Supporting Documents

**MIDVALE TELEPHONE EXCHANGE INC.
BALANCE SHEET STATE BREAKDOWN
ARIZONA ONLY**

ASSETS	1999	1998	1997
CASH	10,509	0	0
ACCOUNTS RECEIVABLE	74,237	50,875	67,957
INVENTORY	0	0	0
PREPAID EXPENSES	0	99,377	0
INVESTMENTS	0	0	0
TOTAL CURRENT	84,746	150,252	67,957
NON-REGUALTED	0	0	0
OTHER-NON CURRENT	0	0	0
EXTRAORDINARY PLANT RET	112,099	0	0
TELEPHONE PLANT UNDER CON	0	0	16,259
PLANT ACQ ADJ	176,867	191,709	206,551
TELEPHONE PLANT IN SERVICE	3,060,663	3,034,757	2,573,354
LESS ACCUM DEP	(1,204,570)	(1,122,615)	(965,150)
TOTAL ASSETS	2,229,806	2,254,103	1,898,972
LIABILITIES & EQUITY			
ACCOUNTS PAYABLE	16,857	14,989	254
ACCRUED PAYROLL & OTHER	11,594	2,016	1,822
ACCRUED INTEREST	0	0	0
LONG TERM DEBT	470,233	540,580	578,237
DEFERRED TAXES	156,381	161,124	119,500
EQUITY	1,574,741	1,535,394	1,199,159
TOTAL LIABILITIES & EQUITY	2,229,806	2,254,103	1,898,972

MIDVALE TELEPHONE EXCHANGE INC.
BALANCE SHEET STATE BREAKDOWN
DECEMBER 31, 1999

ASSETS	MIDVALE CONSOLIDATED RECLASS	IDAHO	OREGON	ARIZONA
CASH				
Idaho	260,941	260,941		
Oregon	0		0	
Arizona	10,509			10,509
ACCOUNTS RECEIVABLE				
Idaho	518,815	518,815		
Oregon	42,019		42,019	
Arizona	74,237			74,237
INVENTORY				
Idaho	164,800	164,800		
Oregon	0		0	
Arizona	0			0
PREPAID EXPENSES				
Idaho	10,943	10,943		
Oregon	0		0	
Arizona	0			0
INVESTMENTS				
Idaho	237,337	237,337		
Oregon	0		0	
Arizona	0			0
TOTAL CURRENT	1,319,601	1,192,836	42,019	84,746
NON-REGUALTED				
Idaho	53,900	53,900		
Oregon	0		0	
Arizona	0			0
OTHER-NON CURRENT				
Idaho	229,199	229,199		
Oregon	0		0	
Arizona	0			0
EXTRAORDINARY PLANT RETIREMENT				
Idaho	0	0		
Oregon	0		0	
Arizona	112,099			112,099
TELEPHONE PLANT UNDER CONSTRUCTION				
Idaho	0	0		
Oregon	0		0	
Arizona	0			0
PLANT ACQUISITION ADJUSTMENT				
Idaho	1,101,038	1,101,038		
Oregon	19,327		19,327	
Arizona	176,867			176,867
TELEPHONE PLANT IN SERVICE				
Idaho	10,628,688	10,628,688		
Oregon	1,287,823		1,287,823	
Arizona	3,060,663			3,060,663
LESS ACCUMULATED DEPRECIATION				
Idaho	(5,448,736)	(5,448,736)		
Oregon	(567,722)		(567,722)	
Arizona	(1,204,570)			(1,204,570)
TOTAL ASSETS	10,768,176	7,756,924	781,446	2,229,806

MIDVALE TELEPHONE EXCHANGE INC.
 BALANCE SHEET STATE BREAKDOWN
 DECEMBER 31, 1999

	MIDVALE		IDAHO	OREGON	ARIZONA
	CONSOLIDATED	RECLASS			
LIABILITIES & EQUITY					
ACCOUNTS PAYABLE					
Idaho	511,020		511,020		
Oregon	200			200	
Arizona	16,857				16,857
ACCRUED PAYROLL & OTHER					
Idaho	102,193		102,193		
Oregon	583			583	
Arizona	11,594				11,594
ACCRUED INTEREST					
Idaho	55,257		55,257		
Oregon	0			0	
Arizona	0				0
LONG TERM DEBT					
Idaho	7,689,500	(1,483,883)	6,205,617		
Oregon	0	1,013,649		1,013,649	
Arizona	0	470,233			470,233
DEFERRED TAXES					
Idaho	653,477	(217,051)	436,426		
Oregon	0	60,670		60,670	
Arizona	0	156,381			156,381
EQUITY					
Idaho	1,727,495	(1,281,084)	446,410		
Oregon	0	(293,657)		(293,657)	
Arizona	0	1,574,741			1,574,741
TOTAL LIABILITIES & EQUITY	<u>10,768,176</u>		<u>7,756,924</u>	<u>781,446</u>	<u>2,229,806</u>
		<u>0</u>			

MIDVALE TELEPHONE EXCHANGE INC.
BALANCE SHEET STATE BREAKDOWN
DECEMBER 31, 1998

ASSETS	MIDVALE				
	CONSOLIDATED	RECLASS	IDAHO	OREGON	ARIZONA
CASH					
Idaho	232,675		232,675		
Oregon	0			0	
Arizona	0				0
ACCOUNTS RECEIVABLE					
Idaho	390,246		390,246		
Oregon	41,806			41,806	
Arizona	50,875				50,875
INVENTORY					
Idaho	111,880		111,880		
Oregon	0			0	
Arizona	0				0
PREPAID EXPENSES					
Idaho	10,464		10,464		
Oregon	0			0	
Arizona	99,377				99,377
INVESTMENTS					
Idaho	231,069		231,069		
Oregon	0			0	
Arizona	0				0
TOTAL CURRENT	1,168,392		976,334	41,806	150,252
NON-REGUALTED					
Idaho	80,263		80,263		
Oregon	0			0	
Arizona	0				0
OTHER-NON CURRENT					
Idaho	190,506		190,506		
Oregon	0			0	
Arizona	0				0
TELEPHONE PLANT UNDER CONSTRUCTION					
Idaho	0		0		
Oregon	0			0	
Arizona	0				0
PLANT ACQUISITION ADJUSTMENT					
Idaho	1,216,727		1,216,727		
Oregon	23,191			23,191	
Arizona	191,709				191,709
TELEPHONE PLANT IN SERVICE					
Idaho	10,123,339		10,123,339		
Oregon	1,225,067			1,225,067	
Arizona	3,034,757				3,034,757
LESS ACCUMULATED DEPRECIATION					
Idaho	(4,589,044)		(4,589,044)		
Oregon	(466,517)			(466,517)	
Arizona	(1,122,615)				(1,122,615)
TOTAL ASSETS	11,075,775		7,998,125	823,547	2,254,103

MIDVALE TELEPHONE EXCHANGE INC.
 BALANCE SHEET STATE BREAKDOWN
 DECEMBER 31, 1998

	MIDVALE		IDAHO	OREGON	ARIZONA
	CONSOLIDATED	RECLASS			
LIABILITIES & EQUITY					
ACCOUNTS PAYABLE					
Idaho	240,099		240,099		
Oregon	250			250	
Arizona	14,989				14,989
ACCRUED PAYROLL & OTHER					
Idaho	12,520		12,520		
Oregon	546			546	
Arizona	2,016				2,016
ACCRUED INTEREST					
Idaho	52,172		52,172		
Oregon	0			0	
Arizona	0				0
LONG TERM DEBT					
Idaho	8,103,704	(1,581,029)	6,522,675		
Oregon	0	1,040,449		1,040,449	
Arizona	0	540,580			540,580
DEFERRED TAXES					
Idaho	691,382	(225,042)	466,340		
Oregon	0	63,918		63,918	
Arizona	0	161,124			161,124
EQUITY					
Idaho	1,958,096	(1,253,777)	704,319		
Oregon	0	(281,617)		(281,617)	
Arizona	0	1,535,394			1,535,394
TOTAL LIABILITIES & EQUITY	11,075,775		7,998,125	823,547	2,254,103
		<u>0</u>			

MIDVALE TELEPHONE EXCHANGE INC.
BALANCE SHEET STATE BREAKDOWN
DECEMBER 31, 1997

ASSETS	MIDVALE CONSOLIDATED	RECLASS	IDAHO	OREGON	ARIZONA
CASH					
Idaho	218,882		218,882		
Oregon	0			0	
Arizona	0				0
ACCOUNTS RECEIVABLE					
Idaho	465,038		465,038		
Oregon	56,831			56,831	
Arizona	67,957				67,957
INVENTORY					
Idaho	123,356		123,356		
Oregon				0	
Arizona					0
PREPAID EXPENSES					
Idaho	10,640		10,640		
Oregon				0	
Arizona					0
INVESTMENTS					
Idaho	840,825		840,825		
Oregon				0	
Arizona					0
TOTAL CURRENT	1,783,529		1,658,741	56,831	67,957
NON-REGUALTED					
Idaho	104,747		104,747		
Oregon				0	
Arizona					0
OTHER-NON CURRENT					
Idaho	187,584		187,584		
Oregon				0	
Arizona					0
TELEPHONE PLANT UNDER CONSTRUCTION					
Idaho	34,267		34,267		
Oregon	115,846			115,846	
Arizona	16,259				16,259
PLANT ACQUISITION ADJUSTMENT					
Idaho	1,093,879		1,093,879		
Oregon	27,055			27,055	
Arizona	206,551				206,551
TELEPHONE PLANT IN SERVICE					
Idaho	9,707,877		9,707,877		
Oregon	992,896			992,896	
Arizona	2,573,354				2,573,354
LESS ACCUMULATED DEPRECIATION					
Idaho	(3,833,225)		(3,833,225)		
Oregon	(403,636)			(403,636)	
Arizona	(965,150)				(965,150)
TOTAL ASSETS	11,641,833		8,953,870	788,991	1,898,972

MIDVALE TELEPHONE EXCHANGE INC.
 BALANCE SHEET STATE BREAKDOWN
 DECEMBER 31, 1997

	MIDVALE CONSOLIDATED	RECLASS	IDAHO	OREGON	ARIZONA
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LIABILITIES & EQUITY

ACCOUNTS PAYABLE					
Idaho	400,817		400,817		
Oregon	375			375	
Arizona	254				254
ACCRUED PAYROLL & OTHER					
Idaho	67,305		67,305		
Oregon	32			32	
Arizona	1,822				1,822
ACCRUED INTEREST					
Idaho	52,896		52,896		
Oregon	0			0	
Arizona	0				0
LONG TERM DEBT					
Idaho	8,069,270	(1,644,181)	6,425,089		
Oregon	0	1,065,945		1,065,945	
Arizona	0	578,237			578,237
DEFERRED TAXES					
Idaho	599,812	(163,286)	436,526		
Oregon	0	43,786		43,786	
Arizona	0	119,500			119,500
EQUITY					
Idaho	2,449,250	(878,013)	1,571,237		
Oregon	0	(321,146)		(321,146)	
Arizona	0	1,199,159			1,199,159
TOTAL LIABILITIES & EQUITY	<u>11,641,833</u>	<u>0</u>	<u>8,953,870</u>	<u>788,991</u>	<u>1,898,972</u>

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

Schedule: E-2

Title: Comparative Income Statements

Explanation:

Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

	Year Ending 12/31/97	Year Ending 12/31/98	12/31/99 RECORDED
OPERATING REVENUES			
LOCAL SERVICES	108,555	143,935	146,183
ENDUSER REVENUE (SLC)	24,194	23,222	26,186
INTERSTATE ACCESS	415,191	417,490	377,001
INTRASTATE ACCESS	181,013	195,522	186,820
INTERSTATE USF	118,978	127,116	107,050
STATE USF			
DIRECTORY REVENUE	1,465	1,439	1,759
MISC.	3,490	1,861	22,081
UNCOLLECTIBLE	(7,260)	(514)	(1,279)
TOTAL REVENUE	845,627	910,072	865,801
OPERATING EXPENSES			
PLANT SPECIFIC OPERATIONS	143,281	110,831	127,720
PLANT NON-SPECIFIC OPERATIONS	86,549	89,746	62,925
DEP. AND AMORT	183,554	172,260	186,282
CUSTOMER OPERATIONS	84,153	87,337	96,131
CORPORATE OPERATIONS	272,545	270,891	254,880
PROVISION FOR DEFERRED INCOME	6,100	6,171	0
OTHER OPERATING TAXES	75,283	75,794	81,282
INTEREST EXPENSE	23,685	22,211	25,107
TOTAL EXPENSES	875,149	835,241	834,327
UTILITY OPERATING INCOME	(29,522)	74,831	31,474

Note: See Attached Supporting Documents

MIDVALE TELEPHONE EXCHANGE, INC.
ARIZONA INCOME STATEMENT

Account Name	Account #	Year Ending 12/31/97 (Adjusted)	Year Ending 12/31/98 (Adjusted)	Year Ending 12/31/99 (Adjusted)
5001				
LOCAL SER. REVENUE-CASCABEL	5000 33	29,202.42	42,044.26	59,351.68
LOCAL SER. REVENUE-YOUNG	5000 55	74,047.85	96,926.61	78,240.90
		103,250.27	138,970.87	137,592.58
5080				
ALITAP-STATE PART-CASCABEL	5002 33		(25.32)	(25.32)
ALITAP-STATE PART-YOUNG	5002 55		(14.77)	(50.64)
SER. ORDERIC.O. WIRING-CASCABEL	5050 33	1,606.48	900.00	2,145.00
SER. ORDERIC.O. WIRING-AZ	5050 55	3,424.51	3,777.99	5,921.15
VERTICAL SERVICES-CASCABEL	5061 33	-	-	27.00
VERTICAL SERVICES-YOUNG, AZ	5061 55	274.22	326.38	573.31
		5,305.21	4,964.28	8,590.50
5081				
I/S CALC REV.-CASCABEL	5001 33	8,072.46	7,190.43	8,551.70
I/S CALC REV-YOUNG	5001 55	16,122.03	16,031.99	17,634.42
		24,194.49	23,222.42	26,186.12
5082				
EE CCL ACCESS REV-CASCABEL	5081 33	5,365.73	5,383.84	8,833.15
EE CCL ACCESS REV. YOUNG	5081 55	7,114.10	7,205.08	10,664.51
EE SS ACCESS REV.-CASCABEL	5082 33	50,340.57	23,871.35	30,371.44
EE SW ACCESS REV.-YOUNG,AZ	5082 55	62,275.39	32,327.13	36,885.54
INTERSTATE PIC CHANGE CHR.G, CASCABEL	5082 83		320.00	500.00
INTERSTATE PIC CHANGE CHR.G, YOUNG	5082 85	520.00	435.00	830.00
CCL NECA CASCABEL	5101 33	40,578.00	56,786.00	41,013.73
CCL NECA YOUNG	5101 55	60,983.00	88,983.00	64,513.33
SW NECA - CASCABEL	5102 33	69,141.68	75,333.00	67,859.62
SWNECA-YOUNG	5102 55	118,872.24	126,846.00	115,529.73
USF NECA - CASCABEL	5103 33	118,978.00	127,116.00	107,079.52
		534,168.71	544,606.40	484,080.57
5084				
INTRALATA PIC CHARGE - CASCABEL	5082 73		20.00	65.00
INTRALATA PIC CHARGE - YOUNG	5082 75		20.00	-
AE CCL ACCESS REV.-CASCABEL	5084 33	4,069.02	5,141.82	7,523.43
AE CCL ACCESS REV.-YOUNG,AZ	5084 55	2,455.66	3,662.28	4,832.74
AE SW ACCESS REV.-CASCABEL	5085 33	8,060.55	9,851.61	14,405.08
AE SW ACCESS REV.-YOUNG,AZ	5085 55	7,366.98	10,986.84	14,498.22
M CCL ACCESS REV.-CASCABEL	5087 33	39,865.40	33,623.25	29,048.85
M CCL ACCESS REV.-YOUNG,AZ	5087 55	10,465.22	16,227.39	15,480.00
M SW ACCESS REV - CASCABEL	5088 33	77,334.45	64,536.12	54,525.48
M SW ACCESS REV-YOUNG	5088 55	31,395.66	51,452.56	46,440.47
		181,012.94	195,521.87	186,819.27
5100				
BILLED REVENUE - CASCABEL	5080 33	-	-	-
BILLED REVENUE - YOUNG, AZ	5080 55	-	51.99	69.68
EA BILL & KEEP CLEARING ACCT.	5100 33	-	0.45	143.89
EA BILL & KEEP CLEARING ACCT.	5100 55	-	-	-
EA BILL & KEEP REV-CASCABEL	5200 33	-	-	-
EA BILL & KEEP REV-YOUNG	5200 55	5.36	-	373.13
		5.36	52.44	586.70
5230				
DIRECTORY REVENUE - CASCABEL	5272 33	699.88	665.25	728.89
DIRECTORY REVENUE - YOUNG,AZ	5272 55	764.76	773.59	1,030.41
		1,464.64	1,438.84	1,759.30
5264				
OTHER REVENUE - CASCABEL	5264 33	71.16	67.61	149.60
OTHER REVENUE - YOUNG	5264 55	-	108.83	249.03
		71.16	176.44	398.63
5269				
OPERATOR SER REV - CASCABEL	5273 33	855.50	284.80	200.00
OPERATOR SER REV-YOUNG,AZ	5273 55	2,558.40	1,347.10	996.00
		3,413.90	1,631.90	1,196.00
5270				
INTERSTATE BILLING & COLL	5270 33	2,619.03	6,569.94	3,800.07
INTERSTATE BILLING & COLL	5270 55	3,222.45	4,390.97	3,361.79
INTRASTATE BILLING & COLL	5271 33	9,109.12	7,012.92	7,962.32
INTRASTATE BILLING & COLL	5271 55	4,795.09	3,914.80	4,775.49
		19,745.69	21,888.63	19,899.67
5301				
UNCOLLECTIBLES - CASCABEL	5300 33	(5,252.14)	(67.05)	(994.78)
UNCOLLECTIBLES - YOUNG,AZ	5300 55	(2,007.65)	(446.70)	(284.05)
		(7,259.79)	(513.75)	(1,278.83)

MIDVALE TELEPHONE EXCHANGE, INC.
ARIZONA INCOME STATEMENT

Account Name	Account #	Year Ending 12/31/97 (Adjusted)	Year Ending 12/31/98 (Adjusted)	Year Ending 12/31/99 (Adjusted)
6100				
		PLANT SPECIFIC OPERATIONS		
GEN SUPPORT SERV.-CASCABEL	6120.33	(7,934.22)	(11,783.50)	(13,706.94)
GEN SUPPORT SERV.-YOUNG,AZ	6120.55	(11,740.51)	(15,647.86)	(27,035.00)
CENTRAL OFF SWITCH-CASCABEL	6210.33	(16,642.15)	(12,416.63)	(14,561.69)
CENTRAL OFF SWITCH-YOUNG,AZ	6210.55	(20,470.50)	(8,398.47)	(17,939.64)
LOCAL NUMBER PORTABILITY SWITCHING - CASCABEL	6211.33	-	-	(18.64)
LOCAL NUMBER PORTABILITY SWITCHING - YOUNG	6211.55	-	-	(45.04)
C.O TRANS-CASCABEL	6230.33	(10,465.48)	(13,126.64)	(14,887.52)
CO. TRANS-YOUNG,AZ	6230.55	(14,401.97)	(3,804.70)	(6,609.29)
PAY STATION REPAIR-CASCABEL	6310.33	-	(13.49)	-
PAY STATION REPAIR-YOUNG,AZ	6310.55	(218.74)	-	-
BURIED CABLE REPAIR-CASCABEL	6423.33	(25,195.70)	(25,949.16)	(14,822.31)
BURIED CABLE REPAIR-YOUNG,AZ	6423.55	(36,211.33)	(19,690.24)	(18,158.50)
		(143,280.60)	(110,830.69)	(127,784.57)
6500				
		PLANT NONSPECIFIC OPERATIONS		
GENERAL PLANT ADM.-CASCABEL	6530.33	(43,371.38)	(66,981.48)	(41,480.60)
GENERAL PLANT ADM.-YOUNG,AZ	6530.55	(43,177.53)	(22,764.98)	(21,444.40)
		(86,548.91)	(89,746.46)	(62,925.00)
6560				
		DEPRECIATION AND AMORTIZATION		
DEPRECIATION EXP.-CASCABEL	6560.33	(64,983.00)	(72,492.90)	(70,497.33)
DEPRECIATION EXP.-YOUNG,AZ	6560.55	(103,728.54)	(84,925.00)	(100,943.00)
AMORTIZATION EXP.-CASCABEL	6570.33	-	-	-
AMORTIZATION EXP.-YOUNG,AZ	6570.55	(14,841.96)	(14,842.08)	(14,841.98)
		(183,553.50)	(172,259.98)	(186,282.31)
6600				
		CUSTOMER OPERATIONS		
CUSTOMER SERVICE-CASCABEL	6623.33	(14,237.27)	(16,209.25)	(20,754.67)
CUSTOMER SER.-YOUNG,AZ	6623.55	(31,571.50)	(40,099.54)	(43,776.91)
REV ACCT. MESS PROCESSING	6626.33	(2,382.92)	(4,511.94)	(2,619.36)
REV ACCT. MESS PROCESSING	6626.55	(5,506.37)	(8,888.89)	(6,329.74)
CABS EXPENSE - CASCABEL	6627.33	(1,655.77)	(1,675.84)	(3,986.82)
CABS EXPENSE - YOUNG,AZ	6627.55	(3,983.55)	(3,176.32)	(5,035.95)
REV ACCT/OTHER BILL & COLL	6628.33	(3,759.30)	(4,444.59)	(5,087.68)
REV ACCT/OTHER BILL & COLL	6628.55	(8,181.02)	(8,330.79)	(8,531.95)
EQUAL ACCESS EXP.-CASCABEL	6725.33	(1,067.29)	-	-
EQUAL ACCESS EXP.-YOUNG,AZ	6725.55	(11,807.79)	-	-
INTRALATA ACCESS-CASCABEL	6727.33	-	-	-
INTRALATA ACCESS-YOUNG	6727.55	-	-	(7.17)
		(84,152.78)	(87,337.16)	(96,130.25)
6700				
		CORPORATE OPERATIONS		
EXECUTIVE & PLANNING-CASCABEL	6710.33	(64,292.90)	(45,687.91)	(33,066.94)
EXECUTIVE & PLANNING-YOUNG,AZ	6710.55	(67,503.35)	(50,145.61)	(43,680.39)
ACCOUNTING & FINANCE-CASCABEL	6721.33	(41,340.06)	(45,510.00)	(36,943.58)
ACCOUNTING & FINANCE-YOUNG,AZ	6721.55	(73,475.30)	(89,871.71)	(78,178.76)
OTHER GENERAL ADM-CASCABEL	6728.33	(8,518.83)	(17,875.57)	(27,446.77)
OTHER GENERAL ADM-YOUNG,AZ	6728.55	(17,414.91)	(21,800.06)	(35,563.72)
		(272,545.35)	(270,890.86)	(254,880.16)
7220				
		PROVISION FOR DEFERRED INC TAX		
INCOME TAX EXP. CASCABEL	7230.33	(1,200.00)	(3,085.50)	(1,520.00)
INCOME TAX EXP. YOUNG,AZ	7230.55	(4,900.00)	(3,085.50)	(1,520.00)
		(6,100.00)	(6,171.00)	(3,040.00)
7240				
		OTHER OPERATING TAXES		
PROPERTY TAX - CASCABEL	7240.33	(29,162.40)	(31,036.36)	(33,994.96)
PROPERTY TAX - YOUNG,AZ	7240.55	(45,983.72)	(44,757.34)	(46,777.28)
OTHER TAXES - CASCABEL	7250.33	(40.04)	-	(278.39)
OTHER TAXES - YOUNG	7250.55	(96.77)	-	(232.12)
		(75,282.93)	(75,793.70)	(81,282.75)
7450				
		INTEREST EXPENSE		
REA INTEREST EXP CASCABEL	7510.33	(14,916.90)	(14,352.97)	(13,760.89)
RTFC INTEREST - EXPENSE	7510.55	-	-	-
RTFC INTEREST EXP - CASCABEL	7512.33	(2,566.16)	(2,299.90)	(1,773.43)
RTFC INTEREST EXP- YOUNG	7512.55	(6,201.55)	(5,558.09)	(9,572.92)
		(23,684.61)	(22,210.96)	(25,107.24)

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Recap Schedules:

Schedule: E-3

A-5

Title: Comparative Statement of Changes in Financial Position

Explanation:

Schedule showing comparative changes in financial position for the test year and the 2 years ended prior to the test year.

See Attachment

**MIDVALE TELEPHONE EXCHANGE, INC.
RATE CASE DEBT ALLOCATION
DECEMBER 31, 1999**

RURAL UTILITY SERVICE DEBT

LOAN #	INT. RATE	G/L #	AMOUNT	TOTAL	IDAHO	OREGON	ARIZONA
# 12010	2 %	4210.01	610,162.04	610,162.04	610,162.04		
# 12020	5%	4210.02	289,779.49	289,779.49		289,779.49	
# 12030	5%		1,054,281.94				
# 12031	5%	4210.03		1,054,281.94	330,411.96	723,869.98	
# 12040	5%		232,249.38				
# 12041	5%			232,249.38	232,249.38		
# 12050	5%	4210.04	2,997,715.91				269,602.05
		4210.05		2,997,715.91	2,728,113.86		
TOTAL RUS DEBT				5,184,188.76	3,900,937.24	1,013,649.47	269,602.05
RTFC		4050.06		200,631.28			200,631.28
OTHER DEBT				86,661.46	86,661.46		
SAWTOOTH							
RURAL TELEPHONE FINANCE COOPERATIVE							
RTFC - PURCHASE			1,821,306.05				
RTFC - SWITCH			362,821.12				
				2,184,127.17	2,184,127.17		
BUILDING				33,891.31	33,891.31		
TOTAL SAWTOOTH				2,218,018.48	2,218,018.48		
TOTAL DEBT				7,689,499.98	6,205,617.18	1,013,649.47	470,233.33

**MIDVALE TELEPHONE EXCHANGE, INC.
RATE CASE DEBT ALLOCATION
DECEMBER 31, 1998**

RURAL UTILITY SERVICE DEBT

LOAN #	INT. RATE	G/L #	AMOUNT	TOTAL	IDAHO	OREGON	ARIZONA
# 12010	2 %	4210.01	642,830.00	642,830.00	642,830.00		
# 12020	5%	4210.02	297,452.53	297,452.53		297,452.53	
# 12030	5%		1,062,099.28				
# 12031	5%		20,039.97				
		4210.03		1,082,139.25	339,142.44	742,996.81	
# 12040	5%		220,159.05				
# 12041	5%		20,967.53				
		4210.04		241,126.58	241,126.58		
# 12050	5%		1,760,713.22				281,714.12
# 12051	5%		64,259.60				
# 12052	5%		119,339.27				
# 12053	5%		37,637.78				
# 12054	5%		160,649.02				
# 12055	5%		87,209.46				
# 12056	5%		101,063.09				
# 12057	5%		192,427.56				
# 12058	5%		46,166.58				
# 12550	5%		55,399.89				
# 12551	5%		34,259.79				
# 12552	5%		296,098.78				
# 12553	5%		117,533.63				
# 12554	5%		59,632.82				
		4210.05		3,132,390.49	2,850,676.37		
TOTAL RUS DEBT				5,395,938.85	4,073,775.40	1,040,449.34	281,714.12
RTFC		4050.06		258,865.54			258,865.54
OTHER DEBT				62,850.00	62,850.00		
SAWTOOTH							
RURAL TELEPHONE FINANCE COOPERATIVE							
RTFC - PURCHASE			1,924,849.45				
RTFC - SWITCH			378,947.00				
				2,303,796.45	2,303,796.45		
BUILDING				82,254.00	82,254.00		
TOTAL SAWTOOTH				2,386,050.45	2,386,050.45		
TOTAL DEBT				8,103,704.84	6,522,675.85	1,040,449.34	540,579.66

**MIDVALE TELEPHONE EXCHANGE, INC.
RATE CASE DEBT ALLOCATION
DECEMBER 31, 1997**

RURAL UTILITY SERVICE DEBT

LOAN #	INT. RATE	G/L #	AMOUNT	TOTAL	IDAHO	OREGON	ARIZONA
# 12010	2 %	4210.01	674,851.90	674,851.90	674,851.90		
# 12020	5%	4210.02	304,752.02	304,752.02		304,752.02	
# 12030	5%		1,108,640.37				
# 12031	5%						
		4210.03		1,108,640.37	347,447.89	761,192.48	
# 12040	5%		249,571.58				
# 12041	5%						
		4210.04		249,571.58	249,571.58		
# 12050	5%		3,260,508.65				293,236.53
		4210.05		3,260,508.65	2,967,272.12		
TOTAL RUS DEBT				5,598,324.52	4,239,143.49	1,065,944.50	293,236.53
RTFC		4050.06		285,000.00			285,000.00
OTHER DEBT				41,324.18	41,324.18		
SAWTOOTH							
RURAL TELEPHONE FINANCE COOPERATIVE							
RTFC - PURCHASE			2,018,848.10				
RTFC - SWITCH				2,018,848.10	2,018,848.10		
BUILDING				125,773.24	125,773.24		
TOTAL SAWTOOTH				2,144,621.34	2,144,621.34		
TOTAL DEBT				8,069,270.04	6,425,089.01	1,065,944.50	578,236.53

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: E-4

Title: Statement of Change in Stockholders' Equity

Explanation:

Schedule showing changes in stockholders' equity for the test year and the 2 years ended prior to the test year.

	COMMON STOCK	AMOUNT	PAID IN CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
BAL 1-1-97	\$250	\$25,000	\$7,910	\$1,653,626	\$1,686,536
EARNING FOR 1997				\$112,714	\$112,714
SUBTOTAL	\$250	\$25,000	\$7,910	\$1,766,340	\$1,799,250
EARNINGS FOR 1998				\$158,845	\$158,845
SUBTOTAL	\$250	\$25,000	\$7,910	\$1,925,185	\$1,958,095
EARNINGS FOR 1999				(\$230,601)	(\$230,601)
SUBTOTAL	\$250	\$25,000	\$7,910	\$1,694,584	\$1,727,494

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: E-5

Title: Detail of Utility Plant

Explanation:

Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Recap Schedules:

E-1

A-4

See Attached

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE

6/22
(2)

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
1100 CASH - IDAHO			
CASH WEST ONE BANK	1120.01	131,477.32	123,663.69
CASH KEY BANK	1120.02	2,788.39	4,225.98
PETTY CASH	1120.04	800.00	800.00
CASH RADIO SHACK ACCT WEST ONE	1120.06	9,439.00	18,314.43
CASH US BANK (CAMBRIDGE)	1120.08	533.19	542.90
CASH - MACRO SAVINGS WEST ONE	1120.22	4,315.52	4,407.03
CASH - CD WEST ONE BANK	1120.23	39,586.57	41,525.40
CASH SAVINGS 1ST INTERSTATE	1120.24	14,827.33	15,433.09
MERRILL LYNCH	1120.26	826.17	372.32
CASH - MERRILL LYNCH - SAWTOOTH	1120.27	11,076.08	1,021.86
CASH IN BANK-SAWTOOTH	1120.77	17,005.43	50,634.61
		232,675.00	260,941.31
1133 CASH & CASH EQUIV. ARIZONA			
CASH SE AZ FCU - CHECKING	1120.09	0.00	10,483.50
CASH SE AZ FCU SAVINGS	1120.15	0.00	25.52
		0.00	10,509.02
1181 ACCOUNTS RECEIVABLE - IDAHO			
TELECOM ACCTS RECBL IDAHO	1180.11	27,784.59	45,719.77
TELECOMACCTS RECBL-SAW	1180.77	16,154.53	19,138.45
U S WEST ACCES/SC	1190.02	0.00	1,848.05
ACCTS RCBL - NECA IDAHO	1190.04	118,200.00	104,491.00
US INTELCO REC/NET	1190.06	1,989.63	8,316.57
A/R - NECA, CASCABEL	1190.13	19,503.00	17,219.00
A/R - M&L ENT. INC	1190.60	(9,581.47)	24,030.41
A/R - DENNIS FARRINGTON	1190.61	405.15	405.15
ACCOUNT RECEIVALE S & L	1190.69	10,097.53	13,709.78
A/R - NECA - SAWTOOTH	1190.73	4,335.00	7,639.00
A/R - CARRIERS-SAWTOOTH	1190.74	39,720.35	36,495.61
A/R CARRIERS	1190.80	121,776.18	103,562.17
A/R - MISC	1190.89	14,692.83	63,124.10
A/R-RADIO SHACK	1406.09	6,087.06	3,172.87
ACCOUNTS RECEIVABLE RNS	1406.27	18,103.06	63,589.24
RADIO SHACK COLLECTIONS INTERNET PYMTS.	4010.27	532.96	5,364.03
RADIO SHACK COLLECTIONS-LONG DISTANCE	4010.28	445.65	989.92
		390,246.05	518,815.12
1182 ACCOUNTS RECEIVABLE - OREGON			
TELECOM ACCTS RECBL OREGON	1180.22	19,699.14	23,694.68
A/R - NECA OREGON	1190.08	20,269.00	15,382.00
A/R - OECA	1190.09	1,838.00	2,942.00
		41,806.14	42,018.68
1183 ACCOUNTS RECEIVABLE - ARIZONA			
TELECOM ACCTS RECBL CASCL	1180.33	23,262.73	31,710.50
TELECOM ACCTS RECBL YOUNG	1180.55	15,241.18	26,762.42
A/R - NECA YOUNG	1190.15	15,268.00	12,111.00
U S WEST ACCESS YOUNG	1190.50	0.00	1,913.53
A/P US INTLECO - YOUNG	4010.15	(2,897.40)	1,739.73
		50,874.51	74,237.18
1221 INVENTORY - IDAHO			
INVENTORY MATERIALS	1220.10	50,388.58	101,140.96
INVENTORY - RADIO SHACK	1406.01	41,465.49	38,813.32
INVENTORY - OTHER	1406.02	10,812.98	16,942.02
INVENTORY - CABLE TV	1406.03	9,212.92	7,903.73

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
		111,879.97	164,800.03
1311 PREPAID EXP. IDAHO			
PREPAID INSURANCE	1310.01	6,008.01	7,159.20
PREPAID LEASES	1310.06	4,456.00	3,784.00
		10,464.01	10,943.20
1313 PREPAID EXP. AZ			
PREPAID ARIZ EXPENSE	1310.04	99,377.46	0.00
		99,377.46	0.00
1411 INVESTMENTS - IDAHO			
INVESTMENT - R/S FRANCHISE	1406.04	5,000.00	5,000.00
INVESTMENT - ID COMPANY	1406.05	3,000.00	3,000.00
INVESTMENT - RTFC	1406.07	34,790.22	35,629.65
INVESTMENT - WESTERN TELEDATA	1406.08	2,000.00	2,000.00
INVESTMENT - SYSTEM SEVEN	1406.17	14,000.00	14,000.00
INVEST-SNAKE RIVER CELLULAR	1406.20	39,187.00	39,187.00
INVESTMENT - RTFC	1406.77	133,091.89	138,519.98
		231,069.11	237,336.63
1421 NON-REGULATED EQUIP - IDAHO			
NON-REGULATED EQUIPMENT	1406.10	23,985.81	23,985.81
NON-REG ALLOW DEP EQUIP	1406.11	(23,096.88)	(23,604.84)
NON-REG CABLE TV - ID	1406.14	112,617.10	112,617.10
NON-REG DEP CABLE TV	1406.15	(93,386.34)	(102,823.98)
NON REG CABLE TV - AZ	1406.18	173,555.88	176,335.88
NON REG ALL. DEP CABLE TV	1406.19	(115,018.00)	(133,574.00)
INVESTMENT - INT - ARIZONA	1406.26	2,006.78	2,006.78
ARIZONA INTERNET-ALLOW. DEP	1406.29	(401.00)	(1,043.00)
		80,263.35	53,899.75
1431 OTHER NON-CURRENT - IDAHO			
DEF RECBL INS MARY & LANE	1406.33	39,152.61	44,552.97
DEF RECBL INS SHIRLEY	1406.34	68,689.81	78,449.27
RNS NOTE RECEIVABLE - (RURAL NETWORK SERVICE	1406.50	82,663.31	106,196.31
		190,505.73	229,198.55
1443 EXTRAORDINARY PLANT RET. ARIZON			
DEFERRED CHARGES - ARIZONA	1439.01	0.00	112,098.50
		0.00	112,098.50
2005 PLT ACQ ADJ - ID			
PLANT - ACQ ADJ - SAWTOOTH	2005.77	1,422,826.49	1,422,826.49
RES AMT SAWTOOTH PLANT ACQ	2005.78	(206,099.28)	(321,788.62)
		1,216,727.21	1,101,037.87
2006 PLT ACQ. ADJ - OREGON			
HARPER/JUNTURA PLANT ADJ	2005.01	73,422.14	73,422.14
RES-AMORT H/J PLANT ADJ	2005.02	(50,231.20)	(54,095.54)
		23,190.94	19,326.60
2007 PLT ACQ ADJ - AZ			
PLANT - ACQ ADJ	2007.55	222,629.95	222,629.95
RES AMT. YOUNG PLT ACQ.	2007.56	(30,920.87)	(45,762.85)
		191,709.08	176,867.10

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
2111 IDAHO TELEPHONE PLT IN SERVICE			
LAND - IDAHO	2111.10	3,760.80	3,760.80
BUILDINGS - IDAHO	2111.11	374,286.44	374,286.44
LAND - SAWTOOTH	2111.70	73,600.00	73,600.00
BUILDINGS - SAWTOOTH	2111.77	221,912.82	228,143.82
VEHICLES	2112.11	368,073.81	422,228.38
VEHICLES - SAWTOOTH	2112.77	16,797.50	16,797.50
OTHER WORK EQUIP. - IDAHO	2116.11	421,864.42	438,487.45
OTHER WORK EQUIP.-SAWTH	2116.77	12,968.54	12,968.54
OFFICE FURNITURE - IDAHO	2122.11	69,703.22	69,703.22
OFFICE FURNITURE -SAWTH	2122.77	861.00	861.00
OFFICIAL STATION EQUIP	2123.11	3,348.44	3,348.44
GENERAL PURPOSE COMPUTERS	2124.11	217,398.45	256,389.28
DIGITAL ELECT SWITCH-IDAHO	2212.11	1,343,735.94	1,550,840.96
DIG ELECT SWITCH-SAWTOOTH	2212.77	367,569.13	428,998.95
CENTRAL OFFICE TRANS - ID	2230.11	1,006,852.52	1,103,441.44
CO TRANS - SAWTOOTH	2230.77	993,624.85	1,003,642.75
STATION APPRATUS	2311.11	27,232.00	27,232.00
PUBLIC TELE EQUIP - IDAHO	2351.11	2,896.80	2,896.80
PUBLIC TELE EQUIP-SAWTH	2351.77	24,502.10	24,502.10
BURIED CABLE - IDAHO	2423.11	3,345,248.58	3,359,456.18
BURIED CABLE - SAWTOOTH	2423.77	1,227,101.49	1,227,101.49
		10,123,338.85	10,628,687.54
2112 OREGON TELEPHONE PLT IN SERVIC			
LAND - OREGON	2111.22	4,237.00	4,237.00
BUILDINGS - OREGON	2121.22	15,380.60	15,380.60
DIG ELECT SWITCH-ORE	2212.22	227,420.57	282,208.21
CENTRAL OFFICE TRAN - OR	2230.22	73,337.72	81,306.04
PUBLIC TELE EQUIP - OREGON	2351.22	3,168.46	3,168.46
BURIED CABLE - OREGON	2423.22	901,522.57	901,522.57
		1,225,066.92	1,287,822.88
2113 ARIZONA TELEPHONE PLT IN SERVIC			
LAND - YOUNG	2111.54	20,207.26	20,207.26
BUILDINGS - YOUNG	2111.55	14,347.30	14,347.30
VEHICLES - CASCABEL	2112.33	29,644.90	29,644.90
VEHICLES - YOUNG	2112.55	24,900.00	24,900.00
OTHER WORK EQUIP.-CASCABEL	2116.33	21,980.00	21,980.00
OFFICE FURNITURE - YOUNG	2122.55	500.00	500.00
GEN PUR COMPUTERS-CASCABEL	2124.33	6,970.56	6,970.56
GEN PUR COMPUTERS-YOUNG	2124.55	1,972.46	1,972.46
DIG ELECT SWITCH-CASCABEL	2212.33	157,744.30	187,974.25
DIG ELECT SWITCH-YOUNG	2212.55	320,795.00	309,186.16
CENTRAL OFFICE TRAN-CASCABEL	2230.33	303,076.24	304,973.68
CENTRAL OFFICE TRANS-YOUNG	2230.55	560,420.47	565,808.81
PUBLIC TELE EQUIP - YOUNG	2351.55	5,619.22	5,619.22
BURIED CABLE - CASCABEL	2423.33	766,075.21	766,075.21
BURIED CABLE - YOUNG	2423.55	800,503.67	800,503.67
		3,034,756.59	3,060,663.48
3111 IDAHO PLT ACCUM DEP			
ACCUM. DEP. VEHICLE	3112.11	(301,653.14)	(272,800.07)
ACCUM DEP. VEHICLE-SAWTH	3112.77	(4,199.00)	(8,398.00)
ACCUM DEP OTHER WK EQ-ID	3116.11	(312,506.43)	(349,024.43)
ACCUM DEP OTHER WK-SAWTH	3116.77	(4,742.85)	(6,533.85)
ACCUM DEP BLDG - IDAHO	3121.11	(113,976.68)	(125,333.68)
ACCUM DEP BLDG.-SAWTH	3121.77	(40,992.14)	(47,780.14)

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
ACCUM DEP OFFICE FURN-ID	3122.11	(53,926.00)	(58,941.00)
ACCUM DEP F & F - SAWTOOTH	3122.77	(154.00)	(277.00)
ACCUM DEP OFFICE EQUIP-ID	3123.11	(3,348.44)	(3,348.44)
ACCUM DEP GEN PUR COMPTRS	3124.11	(148,071.91)	(174,702.74)
ACCUM DEP DIG SWH-ID	3212.11	(750,168.44)	(957,036.54)
ACCUM DEP DIG SW-SAWTH	3212.77	(76,195.00)	(135,091.52)
ACCUM DEP C.O. TRANS-IDAHO	3230.11	(329,013.24)	(440,035.97)
ACCUM DEP CO. TRANS-SAWTH	3230.77	(656,689.09)	(800,906.66)
ACCUM DEP STA APPRATUS-ID	3311.11	(16,796.60)	(16,796.60)
ACCUM DEP PUBLIC TELE-IDAHO	3351.11	(2,896.80)	(2,896.80)
ACCUM DEP PUBLIC TELE-SAWTH	3351.77	(24,502.10)	(24,502.10)
ACCUM DEP BURIED CABLE-ID	3423.11	(1,058,946.68)	(1,252,258.68)
ACCUM DEP BURIED CABLE-SAWTH	3423.77	(690,265.32)	(772,071.32)
		<hr/>	<hr/>
		(4,589,043.86)	(5,448,735.54)
3112 OREGON PLT ACCUM DEP			
ACCUM DEP BLDG. - OREGON	3121.22	(9,097.26)	(9,559.26)
ACCUM DEP DIG SW-OR	3212.22	(49,327.00)	(92,763.90)
ACCUM DEP TRANS-OREGON	3230.22	(13,753.48)	(26,963.48)
ACCUM DEP PUBLIC TELE-OREGON	3351.22	(3,168.00)	(3,168.00)
ACCUM DEP BURIED CABLE-OREGON	3423.22	(391,171.48)	(435,267.48)
		<hr/>	<hr/>
		(466,517.22)	(567,722.12)
3113 ARIZONA PLT ACCUM DEP			
ACCUM DEP. VEHICLE CASCABEL	3112.33	(13,544.90)	(17,344.90)
ACCUM DEP. VEHICLE -YOUNG	3112.55	(17,500.00)	(22,480.00)
ACCUM DEP OTHER WK EQ -CASCABEL	3116.33	(21,659.00)	(21,980.00)
ACCUM DEP BLDG. - YOUNG	3121.55	(996.00)	(1,474.00)
ACCUM DEP F & F YOUNG	3122.55	(243.00)	(314.00)
ACCUM DEP COMPUTERS CAS	3124.33	(2,360.00)	(3,755.00)
ACCUM DEP COMPUTERS - YOUNG	3124.55	(624.00)	(1,018.00)
ACCUM DEP DIG SW-CASCABEL	3212.33	(79,223.00)	(106,672.00)
ACCUM DEP DIG SW-YOUNG	3212.55	(85,708.00)	(18,622.00)
ACCUM DEP C.O. TRANS-AZ	3230.33	(88,879.00)	(97,115.00)
ACCUM DEP C.O. TRANS-YOUNG	3230.55	(367,043.57)	(403,686.57)
ACCUM DEP PUBLIC TELE-YOUNG	3351.55	(5,619.22)	(5,619.22)
ACCUM DEP BURIED CABLE-CASCABEL	3423.33	(133,447.00)	(165,366.00)
ACCUM DEP BURIED CABLE-YOUNG	3423.55	(305,767.85)	(339,122.83)
		<hr/>	<hr/>
		(1,122,614.54)	(1,204,569.52)
4011 ACCOUNTS PAYABLE - IDAHO			
ACCOUNTS PAYABLE	4010.00	(169,950.54)	(131,258.16)
A/P AT&T	4010.01	(46,068.79)	(46,828.84)
A/P U.S. WEST COMM	4010.02	0.00	1,689.38
G.T.E. ACCOUNT PAY	4010.04	(39.14)	(10.87)
A/P US INTELCO	4010.05	(12,551.66)	(6,716.64)
ACCOUNTS PAYABLE OTHER	4010.07	(6,159.49)	(16,169.00)
EMPLOYEE CONTRIB TO SAVINGS	4010.45	(4,728.94)	(9,154.96)
USF CHARGE IDAHO	4010.47	(161.55)	(171.23)
CUSTOMER DEPOSITS-IDAHO	4040.11	(50.00)	(450.00)
CUSTOMER DEPOSITS - SAWTOOTH	4040.47	(288.61)	0.00
CUSTOMER DEPOSITS-SAWTH	4040.77	(100.00)	(950.00)
RTFC LOAN - LINE OF CREDIT	4050.11	0.00	(301,000.00)
		<hr/>	<hr/>
		(240,098.72)	(511,020.32)
4012 ACCOUNTS PAYABLE OREGON			
CUSTOMER DEPOSITS-OREGON	4040.22	(250.00)	(200.00)
		<hr/>	<hr/>
		(250.00)	(200.00)

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
4013 ACCOUNTS PAYABLE ARIZONA			
A/P AT&T YOUNG	4010.11	(14,539.36)	(15,906.56)
CUSTOMER DEPOSITS-CASCABEL	4040.33	(25.00)	(300.00)
CUSTOMER DEPOSITS-YOUNG	4040.55	(425.00)	(650.00)
		<hr/>	<hr/>
		(14,989.36)	(16,856.56)
4021 PR AND OTHER TAXES - IDAHO			
PREPAID PROPERTY TAX	1310.02	(75,927.26)	(77,715.63)
PREPAID EXP - SAWTOOTH	1320.77	0.00	(3,586.93)
FEDERAL WITHHOLDING	4010.30	0.00	(4,917.80)
IDAHO INCOME TAX WITHHELD	4010.31	(2,971.44)	(4,049.68)
FICA & MEDICARE-EMPLOYEE	4010.33	0.00	(3,397.25)
FICA & MEDICARE-EMPLOYER	4010.34	(83.79)	(3,397.25)
A/P IDAHO SUTA	4010.35	(617.94)	(958.40)
A/P FUTA	4010.37	(88.44)	(150.48)
A/P FED EXCISE TAX	4010.40	(2,454.51)	(2,472.01)
A/P ITAP IDAHO	4010.42	(132.83)	(54.98)
A/P SALES TAXES, IDAHO	4010.44	(531.11)	(1,286.44)
A/P USE TAX - IDAHO	4010.46	(463.33)	(90.43)
DEFICIENT IDAHO USE TAX	4010.50	(39.01)	0.00
TELECOMMUNICATIONS DEVICES	4010.64	(70.69)	(48.34)
STATE TAX	4010.83	5,860.00	(20.00)
FEDERAL TAX	4010.91	65,000.00	0.00
A/P IDAHO 911 CHARGE	4010.92	0.00	(47.48)
		<hr/>	<hr/>
		(12,520.35)	(102,193.10)
4022 PAYROLL AND OTHER TAXES - OREG			
A/P OREGON 911 TAX	4010.41	(546.18)	(558.77)
A/P OTAP OREGON	4010.43	0.00	(24.34)
		<hr/>	<hr/>
		(546.18)	(583.11)
4023 PAYROLL AND OTHER TAXES ARIZON			
GILA COUNTY (GLA) AZ USE TAX	4010.58	0.00	(9,741.05)
SALES TAX YOUNG	4010.59	(855.96)	(930.01)
ARIZONA INCOME TAX WITHHELD	4010.60	(128.86)	(142.07)
SALES TAX, CASCABEL	4010.61	(753.48)	(555.76)
A/P ARIZONA SUTA	4010.62	(113.34)	0.00
E911 TAX CASCABEL	4010.63	(43.85)	(53.85)
A/P FUTA YOUNG	4010.77	0.00	(1.32)
AZ E911 TAX - YOUNG	4010.78	(81.07)	(90.78)
AZ TELECOMM DEVICES TAX	4010.79	(39.71)	(79.09)
		<hr/>	<hr/>
		(2,016.27)	(11,593.93)
4031 ACC. INTEREST PAYABLE - IDAHO			
ACCRUED INTEREST, REA	4010.51	(22,335.11)	(21,465.53)
ACCRUED INTEREST OTHER	4010.52	(29,836.67)	(33,791.51)
		<hr/>	<hr/>
		(52,171.78)	(55,257.04)
4101 DEBT PAYABLE - IDAHO			
CURRENT PORTION OF DEBT	4050.02	0.00	787,707.32
RTFC LOAN - CONSTRUCTION	4050.06	(258,865.54)	(200,631.28)
C D LOANS	4050.07	(30,060.00)	0.00
PICK-UPS LOAN-WEST ONE	4050.09	(15,888.08)	(10,485.46)
WEST ONE NOTE (LOWBOY II)	4050.10	(4,074.47)	0.00
PACIFIC ONE LOAN ((VEHICLE)	4050.15	(12,826.98)	(1,981.25)
1994 KENWORTH TRUCK LOAN - PAC ONE NOTE #9022	4050.16	0.00	(25,640.76)
PACIFIC ONE - STANLEY HOUSE	4050.17	0.00	(22,360.00)
NOTE/US BANK - 99 DODGE DURANGO LOAN	4050.18	0.00	(18,516.80)

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
BANK/WEST/VEHICLE LOAN - EAGLE-KAREN-#700	4050.19	0.00	(7,677.19)
CURRENT PORTION OF DEBT	4055.00	0.00	(787,707.32)
RTFC - SWITH LOAN	4209.77	(378,947.00)	(362,821.12)
REA LOAN A - 2%	4210.01	(642,830.00)	(610,162.04)
REA LOAN C, ACQU, NOTE	4210.02	(297,452.53)	(289,779.49)
REA LOAN C CONST. NOTE	4210.03	(1,082,139.25)	(1,054,281.94)
REA LOAN E LONG TERM	4210.04	(241,126.58)	(232,249.38)
RUS LOAN F	4210.05	(3,132,390.49)	(2,997,715.91)
RTFC - SAWTOOTH NOTE	4210.77	(1,924,849.45)	(1,821,306.05)
PACIFIC ONE- STANLEY HOUSE	4211.77	(82,253.89)	(33,891.31)
		<hr/>	<hr/>
4341 DEFERRED TAXES - IDAHO		(8,103,704.26)	(7,689,499.98)
DEFERRED INC. TAX - FED.	4340.01	(519,317.45)	(489,132.45)
DEFERRED INC. TAX-IDAHO	4340.02	(172,065.00)	(164,345.00)
		<hr/>	<hr/>
4500 STOCKHOLDERS EQUITY		(691,382.45)	(653,477.45)
COMMON STOCK	4510.00	(25,000.00)	(25,000.00)
ADDITIONAL PAID IN CAPITAL	4520.01	(7,910.26)	(7,910.26)
TREASURY STOCK	4530.01	64,000.00	64,000.00
RETAINED EARNINGS, PREF. TAXED	4550.01	(8,016.86)	(8,016.86)
RETAINED EARNINGS	4550.02	(2,017,595.96)	(2,403,310.00)
RETAINED EARNINGS - SAWTH	4550.77	195,273.10	422,141.19
		<hr/>	<hr/>
		(1,799,249.98)	(1,958,095.93)
		<hr/>	<hr/>
Grand Total		158,845.95	(230,601.16)
		<hr/> <hr/>	<hr/> <hr/>

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE BALANCE SHEET

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(2)

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
1100	CASH - IDAHO		
	CASH WEST ONE BANK	1120.01	103,457.54
	CASH KEY BANK	1120.02	1,798.00
	CASH REA ACCT	1120.03	973.37
	PETTY CASH	1120.04	800.00
	CASH RADIO SHACK ACCT WEST ONE	1120.06	6,522.74
	CASH US BANK (CAMBRIDGE)	1120.08	520.20
	CASH - SMITH BARNEY	1120.10	37.82
	CASH - MACRO SAVINGS WEST ONE	1120.22	4,193.62
	CASH - CD WEST ONE BANK	1120.23	37,630.41
	CASH SAVINGS 1ST INTERSTATE	1120.24	14,100.00
	CASH IN BANK-SAWTOOTH	1120.77	48,848.79
			218,882.49
1181	ACCOUNTS RECEIVABLE - IDAHO		
	TELECOM ACCTS RECBL IDAHO	1180.11	41,710.82
	TELECOMACCTS RECBL-SAW	1180.77	20,068.41
	ACCTS RCBL - NECA IDAHO	1190.04	134,397.00
	AT&T CREDIT CARD/SC	1190.05	800.00
	US INTELCO REC/NET	1190.06	1,781.88
	AT&T ACCESS REC/CABS	1190.07	34,193.15
	A/R-STUART ENTERPRISES	1190.65	516.27
	A/R - NECA - SAWTOOTH	1190.73	6,434.00
	A/R - CARRIERS-SAWTOOTH	1190.74	39,813.36
	A/R CARRIERS CLEARING-SWTH	1190.75	8,246.07
	A/R SAWTH TELEPH INC	1190.77	81,585.99
	A/R CARRIERS	1190.80	94,051.73
	A/R CARRIERS CLEARING	1190.81	(4,987.62)
	A/R CARRIERS PRE-1996	1190.82	689.71
	A/R - MISC	1190.89	1,924.15
	A/R-RADIO SHACK	1406.09	4,485.08
	A/R REC IDAHO CABLE TV	1406.16	(111.08)
	A/R INTERNET	1406.32	(561.11)
			465,037.81
1182	ACCOUNTS RECEIVABLE - OREGON		
	TELECOM ACCTS RECBL OREGON	1180.22	15,393.72
	A/R - NECA OREGON	1190.08	40,723.00
	A/R - OECA	1190.09	714.00
			56,830.72
1183	ACCOUNTS RECEIVABLE - ARIZONA		
	TELECOM ACCTS RECBL CASCL	1180.33	12,874.05
	TELECOM ACCTS RECBL YOUNG	1180.55	20,490.97
	A/R - NECA, CASCABEL	1190.13	19,197.00
	A/R - NECA YOUNG	1190.15	14,984.00
	A/R CABLE TV ARIZONA	1406.31	411.12
			67,957.14
1221	INVENTORY - IDAHO		
	INVENTORY MATERIALS	1220.10	60,063.38
	INVENTORY - RADIO SHACK	1406.01	41,767.51
	INVENTORY - OTHER	1406.02	11,933.08
	INVENTORY - CABLE TV	1406.03	9,592.07
			123,356.04

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
1311	PREPAID - IDAHO		
	PREPAID INSURANCE	1310.01	5,511.79
	PREPAID LEASES	1310.06	5,128.00
			<hr/> 10,639.79
1411	INVESTMENTS - IDAHO		
	INVESTMENT IN SUBSIDIARY - SAWTOOTH	1401.77	650,000.00
	INVESTMENT - RIS FRANCHISE	1406.04	5,000.00
	INVESTMENT - ID COMPANY	1406.05	3,000.00
	INVESTMENT - RTFC	1406.07	18,909.93
	INVESTMENT - WESTERN TELEDATA	1406.08	2,000.00
	INVESTMENT - SYSTEM SEVEN	1406.17	14,000.00
	INVEST-SNAKE RIVER CELLULAR	1406.20	39,187.00
	INVESTMENT - RTFC	1406.77	108,728.27
			<hr/> 840,825.20
1421	NON-REGULATED EQUIP - IDAHO		
	NON-REGULATED EQUIPMENT	1406.10	23,985.81
	NON-REG ALLOW DEP EQUIP	1406.11	(22,231.82)
	NON-REG CABLE TV - ID	1406.14	101,572.14
	NON-REG DEP CABLE TV	1406.15	(81,601.36)
	NON REG CABLE TV - AZ	1406.18	166,052.72
	NON REG ALL. DEP CABLE TV	1406.19	(95,547.98)
	IDAHO INTERNET - ALLOW DEP.	1406.27	12,517.94
			<hr/> 104,747.45
1431	OTHER NON-CURRENT - IDAHO		
	DEF RECBL INS MARY & LANE	1406.33	33,752.25
	DEF RECBL INS SHIRLEY	1406.34	58,960.22
	RNS NOTE RECEIVABLE - (RURAL NETWORK SERVICE	1406.50	94,871.39
			<hr/> 187,583.86
1442	EXTRAORDINARY PLT. RET. OREGON		
	OREGON PLANT RETIREMENT	1438.03	78,834.00
	RES-AMORT OF ORE PLANT RET	1438.04	(78,834.00)
			<hr/> 0.00
2001	TELEPHONE PLT UNDER CONST. IDAH		
	PLT CONST. YELLOW PINE	2003.11	34,266.83
			<hr/> 34,266.83
2002	TELEPHONE PLT UNDER CONST. ORE		
	PLT CONST. OREGON	2003.22	115,846.01
			<hr/> 115,846.01
2003	TELEPHONE PLANT UNDER CONST. A		
	PLT CONST. YOUNG	2003.55	16,259.27
			<hr/> 16,259.27
2005	PLT ACQ ADJ - ID		
	PLANT - ACQ ADJ - SAWTOOTH	2005.77	1,193,322.38
	RES AMT SAWTOOTH PLANT ACQ	2005.78	(99,443.55)
			<hr/> 1,093,878.83
2006	PLT ACQ. ADJ - OREGON		
	HARPER/JUNTURA PLANT ADJ	2005.01	73,422.14
	RES-AMORT H/J PLANT ADJ	2005.02	(46,367.20)

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
			27,054.94
2007	PLT ACQ ADJ - AZ		
	PLANT - ACQ ADJ	2007.55	222,629.95
	RES AMT. YOUNG PLT ACQ.	2007.56	(16,078.79)
			206,551.16
2111	IDAHO TELEPHONE PLT IN SERVICE		
	LAND - IDAHO	2111.10	3,760.80
	BUILDINGS - IDAHO	2111.11	343,841.56
	LAND - SAWTOOTH	2111.70	73,600.00
	BUILDINGS - SAWTOOTH	2111.77	221,912.82
	VEHICLES	2112.11	339,077.41
	OTHER WORK EQUIP. - IDAHO	2116.11	416,260.44
	OTHER WORK EQUIP.-SAWTH	2116.77	7,868.04
	OFFICE FURNITURE - IDAHO	2122.11	69,703.22
	OFFICE FURNITURE -SAWTH	2122.77	861.00
	OFFICIAL STATION EQUIP	2123.11	3,348.44
	GENERAL PURPOSE COMPUTERS	2124.11	199,568.88
	DIGITAL ELECT SWITCH-IDAHO	2212.11	1,313,424.15
	DIG ELECT SWITCH-SAWTOOTH	2212.77	283,758.14
	CENTRAL OFFICE TRANS - ID	2230.11	971,951.65
	CO TRANS - SAWTOOTH	2230.77	878,995.03
	STATION APPRATUS	2311.11	27,232.00
	PUBLIC TELE EQUIP - IDAHO	2351.11	2,896.80
	PUBLIC TELE EQUIP-SAWTH	2351.77	24,502.10
	BURIED CABLE - IDAHO	2423.11	3,305,284.66
	BURIED CABLE - SAWTOOTH	2423.77	1,220,029.49
			9,707,876.63
2112	OREGON TELEPHONE PLT IN SERVIC		
	LAND - OREGON	2111.22	4,237.00
	BUILDINGS - OREGON	2121.22	15,380.60
	DIG ELECT SWITCH-ORE	2212.22	216,943.62
	CENTRAL OFFICE TRAN - OR	2230.22	15,386.33
	PUBLIC TELE EQUIP - OREGON	2351.22	3,168.46
	BURIED CABLE - OREGON	2423.22	737,779.81
			992,895.82
2113	ARIZONA TELEPHONE PLT IN SERVIC		
	LAND - YOUNG	2111.54	20,207.26
	BUILDINGS - YOUNG	2111.55	14,347.30
	VEHICLES - CASCABEL	2112.33	14,644.90
	VEHICLES - YOUNG	2112.55	24,900.00
	OTHER WORK EQUIP.-CASCABEL	2116.33	21,980.00
	OFFICE FURNITURE - YOUNG	2122.55	500.00
	GEN PUR COMPUTERS-CASCABEL	2124.33	4,297.70
	GEN PUR COMPUTERS-YOUNG	2124.55	1,972.46
	DIG ELECT SWITCH-CASCABEL	2212.33	157,744.30
	DIG ELECT SWITCH-YOUNG	2212.55	267,732.02
	CENTRAL OFFICE TRAN-CASCABEL	2230.33	200,321.02
	CENTRAL OFFICE TRANS-YOUNG	2230.55	510,547.03
	PUBLIC TELE EQUIP - YOUNG	2351.55	5,619.22
	BURIED CABLE - CASCABEL	2423.33	602,312.13
	BURIED CABLE - YOUNG	2423.55	726,228.45
			2,573,353.79

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
3111	IDAHO PLT ACCUM DEP		
	ACCUM. DEP. VEHICLE	3112.11	(284,591.75)
	ACCUM DEP OTHER WK EQ-ID	3116.11	(268,257.51)
	ACCUM DEP OTHER WK-SAWTH	3116.77	(3,619.85)
	ACCUM DEP BLDG - IDAHO	3121.11	(102,773.68)
	ACCUM DEP BLDG.-SAWTH	3121.77	(34,267.14)
	ACCUM DEP OFFICE FURN-ID	3122.11	(48,322.20)
	ACCUM DEP F & F - SAWTOOTH	3122.77	(31.00)
	ACCUM DEP OFFICE EQUIP-ID	3123.11	(3,348.44)
	ACCUM DEP GEN PUR COMPTRS	3124.11	(114,059.38)
	ACCUM DEP DIG SWH-ID	3212.11	(588,117.44)
	ACCUM DEP DIG SW-SAWTH	3212.77	(135,050.03)
	ACCUM DEP C.O. TRANS-IDAHO	3230.11	(214,618.24)
	ACCUM DEP CO. TRANS-SAWTH	3230.77	(515,681.09)
	ACCUM DEP STA APPRATUS-ID	3311.11	(16,796.60)
	ACCUM DEP PUBLIC TELE-IDAHO	3351.11	(2,896.80)
	ACCUM DEP PUBLIC TELE-SAWTH	3351.77	(24,502.10)
	ACCUM DEP BURIED CABLE-ID	3423.11	(867,597.68)
	ACCUM DEP BURIED CABLE-SAWTH	3423.77	(608,694.32)
			(3,833,225.25)
3112	OREGON PLT ACCUM DEP		
	ACCUM DEP BLDG. - OREGON	3121.22	(8,635.26)
	ACCUM DEP DIG SW-OR	3212.22	(34,298.00)
	ACCUM DEP TRANS-OREGON	3230.22	(7,048.48)
	ACCUM DEP PUBLIC TELE-OREGON	3351.22	(3,168.00)
	ACCUM DEP BURIED CABLE-OREGON	3423.22	(350,486.48)
			(403,636.22)
3113	ARIZONA PLT ACCUM DEP		
	ACCUM DEP. VEHICLE CASCABEL	3112.33	(11,125.00)
	ACCUM DEP. VEHICLE -YOUNG	3112.55	(12,520.00)
	ACCUM DEP OTHER WK EQ -CASCABEL	3116.33	(19,186.00)
	ACCUM DEP BLDG. - YOUNG	3121.55	(518.00)
	ACCUM DEP F & F YOUNG	3122.55	(172.00)
	ACCUM DEP COMPUTERS CAS	3124.33	(1,455.00)
	ACCUM DEP COMPUTERS - YOUNG	3124.55	(230.00)
	ACCUM DEP DIG SW-CASCABEL	3212.33	(63,401.00)
	ACCUM DEP DIG SW-YOUNG	3212.55	(55,840.00)
	ACCUM DEP C.O. TRANS-AZ	3230.33	(63,622.00)
	ACCUM DEP C.O. TRANS-YOUNG	3230.55	(349,716.57)
	ACCUM DEP PUBLIC TELE-YOUNG	3351.55	(5,619.22)
	ACCUM DEP BURIED CABLE-CASCABEL	3423.33	(107,784.00)
	ACCUM DEP BURIED CABLE-YOUNG	3423.55	(273,960.85)
			(965,149.64)
4011	ACCOUNTS PAYABLE - IDAHO		
	A/R - M&L ENT. INC	1190.60	(4,477.89)
	ACCOUNTS PAYABLE	4010.00	(294,729.36)
	A/P AT&T	4010.01	(16.45)
	A/P U.S. WEST COMM	4010.02	(1,595.62)
	G.T.E. ACCOUNT PAY	4010.04	(24.25)
	A/P US INTELCO	4010.05	(13,800.55)
	AT&T CALLING CARD ACCT PAY	4010.06	(1,856.79)
	EMPLOYEE CONTRIB TO SAVINGS	4010.45	(3,687.32)
	USF CHARGE IDAHO	4010.47	(40.80)
	A/P - MTE - SAWTOOTH	4010.87	(81,598.46)

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
	CREDIT CARD CLEARING	4010.99	1,669.08
	CUSTOMER DEPOSITS-IDAHO	4040.11	(200.00)
	CUSTOMER DEPOSITS - SAWTOOTH	4040.47	(158.92)
	CUSTOMER DEPOSITS-SAWTH	4040.77	(300.00)
			<hr style="width: 100%; border: 0.5px solid black;"/> (400,817.33)
4012	ACCOUNTS PAYABLE OREGON		
	CUSTOMER DEPOSITS-OREGON	4040.22	(375.00)
			<hr style="width: 100%; border: 0.5px solid black;"/> (375.00)
4013	ACCOUNTS PAYABLE ARIZONA		
	A/P AT&T YOUNG	4010.11	50.00
	A/P US WEST COMM - YOUNG	4010.12	(634.98)
	A/P US INTLECO - YOUNG	4010.15	780.65
	CUSTOMER DEPOSITS-CASCABEL	4040.33	(250.00)
	CUSTOMER DEPOSITS-YOUNG	4040.55	(200.00)
			<hr style="width: 100%; border: 0.5px solid black;"/> (254.33)
4021	PR AND OTHER TAXES - IDAHO		
	PREPAID PROPERTY TAX	1310.02	(78,963.78)
	IDAHO INCOME TAX WITHHELD	4010.31	(2,615.88)
	FICA & MEDICARE-EMPLOYEE	4010.33	(683.40)
	FICA & MEDICARE-EMPLOYER	4010.34	(795.09)
	A/P IDAHO SUTA	4010.35	(663.16)
	A/P FUTA	4010.37	(126.43)
	A/P FED EXCISE TAX	4010.40	(3,385.57)
	A/P OREGON 911 TAX	4010.41	(552.88)
	A/P SALES TAXES, IDAHO	4010.44	(1,212.30)
	MEDICAL INSURANCE-EMPLOYEE SHARE	4010.49	(1,572.98)
	TELECOMMUNICATIONS DEVICES	4010.64	(64.16)
	STATE TAX	4010.83	19,813.00
	FEDERAL TAX	4010.91	3,518.00
			<hr style="width: 100%; border: 0.5px solid black;"/> (67,304.63)
4022	PAYROLL AND OTHER TAXES - OREG		
	A/P OTAP OREGON	4010.43	(31.72)
			<hr style="width: 100%; border: 0.5px solid black;"/> (31.72)
4023	PAYROLL AND OTHER TAXES ARIZON		
	SALES TAX YOUNG	4010.59	(891.75)
	ARIZONA INCOME TAX WITHHELD	4010.60	(97.98)
	SALES TAX, CASCABEL	4010.61	(601.16)
	A/P ARIZONA SUTA	4010.62	(18.79)
	E911 TAX CASCABEL	4010.63	(73.62)
	A/P FUTA YOUNG	4010.77	(55.35)
	AZ E911 TAX - YOUNG	4010.78	(43.68)
	AZ TELECOMM DEVICES TAX	4010.79	(39.56)
			<hr style="width: 100%; border: 0.5px solid black;"/> (1,821.89)
4031	ACC. INTEREST PAYABLE - IDAHO		
	ACCRUED INTEREST, REA	4010.51	(23,167.45)
	ACCRUED INTEREST OTHER	4010.52	(29,728.30)
			<hr style="width: 100%; border: 0.5px solid black;"/> (52,895.75)
4101	DEBT PAYABLE - IDAHO		
	IBM CONTRACT	4050.03	(4,731.82)
	RTFC LOAN - CONSTRUCTION	4050.06	(285,000.00)

MIDVALE TELEPHONE EXCHANGE, INC.
AZ RATE CASE BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
	WEST ONE NOTE (LOWBOY II)	4050.10	(13,202.00)
	PACIFIC ONE LOAN ((VEHICLE)	4050.15	(23,390.36)
	REA LOAN A - 2%	4210.01	(674,851.90)
	REA LOAN C, ACQU, NOTE	4210.02	(304,752.02)
	REA LOAN C CONST. NOTE	4210.03	(1,108,640.37)
	REA LOAN E LONG TERM	4210.04	(249,571.58)
	RUS LOAN F	4210.05	(3,260,508.65)
	RTFC - SAWTOOTH NOTE	4210.77	(2,018,848.10)
	PACIFIC ONE- STANLEY HOUSE	4211.77	(125,773.24)
			<hr style="width: 100%; border: 0.5px solid black;"/>
			(8,069,270.04)
4341	DEFERRED TAXES - IDAHO		
	DEFERRED INC. TAX - FED.	4340.01	(448,450.00)
	DEFERRED INC. TAX-IDAHO	4340.02	(151,362.00)
			<hr style="width: 100%; border: 0.5px solid black;"/>
			(599,812.00)
4500	STOCKHOLDERS EQUITY		
	COMMON STOCK	4510.00	(25,000.00)
	COMMON STOCK - SAWTOOTH	4510.77	(650,000.00)
	ADDITIONAL PAID IN CAPITAL	4520.01	(7,910.26)
	TREASURY STOCK	4530.01	64,000.00
	RETAINED EARNINGS, PREF. TAXED	4550.01	(8,016.86)
	RETAINED EARNINGS	4550.02	(1,723,686.33)
	RETAINED EARNINGS - SAWTH	4550.77	14,077.21
			<hr style="width: 100%; border: 0.5px solid black;"/>
			(2,336,536.24)
			<hr style="width: 100%; border: 0.5px solid black;"/>
			112,713.74
			<hr style="width: 100%; border: 0.5px solid black;"/>
			<hr style="width: 100%; border: 0.5px solid black;"/>
	Grand Total		<hr style="width: 100%; border: 0.5px solid black;"/>

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

6-22-00

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
1120 CASH AND CASH EQUIVALENTS			
CASH WEST ONE BANK	1120.01	131,477.32	123,663.69
CASH KEY BANK	1120.02	2,788.39	4,225.98
PETTY CASH	1120.04	800.00	800.00
CASH RADIO SHACK ACCT WEST ONE	1120.06	9,439.00	18,314.43
CASH US BANK (CAMBRIDGE)	1120.08	533.19	542.90
CASH SE AZ FCU - CHECKING	1120.09	0.00	10,483.50
CASH SE AZ FCU SAVINGS	1120.15	0.00	25.52
CASH - MACRO SAVINGS WEST ONE	1120.22	4,315.52	4,407.03
CASH - CD WEST ONE BANK	1120.23	39,586.57	41,525.40
CASH SAVINGS 1ST INTERSTATE	1120.24	14,827.33	15,433.09
MERRILL LYNCH	1120.26	826.17	372.32
CASH - MERRILL LYNCH - SAWTOOTH	1120.27	11,076.08	1,021.86
CASH IN BANK-SAWTOOTH	1120.77	17,005.43	50,634.61
		232,675.00	271,450.33
1180 ACCOUNTS RECEIVABLE			
TELECOM ACCTS RECBL IDAHO	1180.11	27,784.59	45,719.77
TELECOM ACCTS RECBL OREGON	1180.22	19,699.14	23,694.68
TELECOM ACCTS RECBL CASCL	1180.33	23,262.73	31,710.50
TELECOM ACCTS RECBL YOUNG	1180.55	15,241.18	26,762.42
TELECOMACCTS RECBL-SAW	1180.77	16,154.53	19,138.45
U S WEST ACCES/SC	1190.02	0.00	1,848.05
ACCTS RCBL - NECA IDAHO	1190.04	118,200.00	104,491.00
US INTELCO REC/NET	1190.06	1,989.63	8,316.57
A/R - NECA OREGON	1190.08	20,269.00	15,382.00
A/R - OECA	1190.09	1,838.00	2,942.00
A/R - NECA, CASCABEL	1190.13	19,503.00	17,219.00
A/R - NECA YOUNG	1190.15	15,268.00	12,111.00
U S WEST ACCESS YOUNG	1190.50	0.00	1,913.53
A/R - M&L ENT. INC	1190.60	(9,581.47)	24,030.41
A/R - DENNIS FARRINGTON	1190.61	405.15	405.15
ACCOUNT RECEIVALE S & L	1190.69	10,097.53	13,709.78
A/R - NECA - SAWTOOTH	1190.73	4,335.00	7,639.00
A/R - CARRIERS-SAWTOOTH	1190.74	39,720.35	36,495.61
A/R CARRIERS	1190.80	121,776.18	103,562.17
A/R - MISC	1190.89	14,692.83	63,124.10
A/R-RADIO SHACK	1406.09	6,087.06	3,172.87
ACCOUNTS RECEIVABLE RNS	1406.27	18,103.06	63,589.24
A/P US INTLECO - YOUNG	4010.15	(2,897.40)	1,739.73
RADIO SHACK COLLECTIONS INTERNET PYMTS.	4010.27	532.96	5,364.03
RADIO SHACK COLLECTIONS-LONG DISTANCE	4010.28	445.65	989.92
		482,926.70	635,070.98
1220 INVENTORY			
INVENTORY MATERIALS	1220.10	50,388.58	101,140.96
INVENTORY - RADIO SHACK	1406.01	41,465.49	38,813.32
INVENTORY - OTHER	1406.02	10,812.98	16,942.02
INVENTORY - CABLE TV	1406.03	9,212.92	7,903.73
		111,879.97	164,800.03
1310 PREPAID			
PREPAID INSURANCE	1310.01	6,008.01	7,159.20
PREPAID ARIZ EXPENSE	1310.04	99,377.46	0.00
PREPAID LEASES	1310.06	4,456.00	3,784.00
		109,841.47	10,943.20

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
1406 INVESTMENTS			
INVESTMENT - R/S FRANCHISE	1406.04	5,000.00	5,000.00
INVESTMENT - ID COMPANY	1406.05	3,000.00	3,000.00
INVESTMENT - RTFC	1406.07	34,790.22	35,629.65
INVESTMENT - WESTERN TELEDATA	1406.08	2,000.00	2,000.00
INVESTMENT - SYSTEM SEVEN	1406.17	14,000.00	14,000.00
INVEST-SNAKE RIVER CELLULAR	1406.20	39,187.00	39,187.00
INVESTMENT - RTFC	1406.77	133,091.89	138,519.98
		<hr/>	<hr/>
		231,069.11	237,336.63
1407 NON-REGULATED EQUIP			
NON-REGULATED EQUIPMENT	1406.10	23,985.81	23,985.81
NON-REG ALLOW DEP EQUIP	1406.11	(23,096.88)	(23,604.84)
NON-REG CABLE TV - ID	1406.14	112,617.10	112,617.10
NON-REG DEP CABLE TV	1406.15	(93,386.34)	(102,823.98)
NON REG CABLE TV - AZ	1406.18	173,555.88	176,335.88
NON REG ALL. DEP CABLE TV	1406.19	(115,018.00)	(133,574.00)
INVESTMENT - INT - ARIZONA	1406.26	2,006.78	2,006.78
ARIZONA INTERNET-ALLOW. DEP	1406.29	(401.00)	(1,043.00)
		<hr/>	<hr/>
		80,263.35	53,899.75
1408 OTHER NON-CURRENT			
DEF RECBL INS MARY & LANE	1406.33	39,152.61	44,552.97
DEF RECBL INS SHIRLEY	1406.34	68,689.81	78,449.27
RNS NOTE RECEIVABLE - (RURAL NETWORK SERVICE	1406.50	82,663.31	106,196.31
		<hr/>	<hr/>
		190,505.73	229,198.55
1438 EXTRAORDINARY PLANT RETIREMEN			
DEFERRED CHARGES - ARIZONA	1439.01	0.00	112,098.50
		<hr/>	<hr/>
		0.00	112,098.50
2005 PLANT ACQ ADJUSTMENT			
HARPER/JUNTURA PLANT ADJ	2005.01	73,422.14	73,422.14
RES-AMORT H/J PLANT ADJ	2005.02	(50,231.20)	(54,095.54)
PLANT - ACQ ADJ - SAWTOOTH	2005.77	1,422,826.49	1,422,826.49
RES AMT SAWTOOTH PLANT ACQ	2005.78	(206,099.28)	(321,788.62)
PLANT - ACQ ADJ	2007.55	222,629.95	222,629.95
RES AMT. YOUNG PLT ACQ.	2007.56	(30,920.87)	(45,762.85)
		<hr/>	<hr/>
		1,431,627.23	1,297,231.57
2111 TELE PLANT IN SERVICE			
LAND - IDAHO	2111.10	3,760.80	3,760.80
BUILDINGS - IDAHO	2111.11	374,286.44	374,286.44
LAND - OREGON	2111.22	4,237.00	4,237.00
LAND - YOUNG	2111.54	20,207.26	20,207.26
BUILDINGS - YOUNG	2111.55	14,347.30	14,347.30
LAND - SAWTOOTH	2111.70	73,600.00	73,600.00
BUILDINGS - SAWTOOTH	2111.77	221,912.82	228,143.82
VEHICLES	2112.11	368,073.81	422,228.38
VEHICLES - CASCABEL	2112.33	29,644.90	29,644.90
VEHICLES - YOUNG	2112.55	24,900.00	24,900.00
VEHICLES - SAWTOOTH	2112.77	16,797.50	16,797.50
OTHER WORK EQUIP. - IDAHO	2116.11	421,864.42	438,487.45
OTHER WORK EQUIP.-CASCABEL	2116.33	21,980.00	21,980.00
OTHER WORK EQUIP.-SAWTH	2116.77	12,968.54	12,968.54
BUILDINGS - OREGON	2121.22	15,380.60	15,380.60
OFFICE FURNITURE - IDAHO	2122.11	69,703.22	69,703.22
OFFICE FURNITURE - YOUNG	2122.55	500.00	500.00

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
OFFICE FURNITURE -SAWTH	2122.77	861.00	861.00
OFFICIAL STATION EQUIP	2123.11	3,348.44	3,348.44
GENERAL PURPOSE COMPUTERS	2124.11	217,398.45	256,389.28
GEN PUR COMPUTERS-CASCABEL	2124.33	6,970.56	6,970.56
GEN PUR COMPUTERS-YOUNG	2124.55	1,972.46	1,972.46
DIGITAL ELECT SWITCH-IDAHO	2212.11	1,343,735.94	1,550,840.96
DIG ELECT SWITCH-ORE	2212.22	227,420.57	282,208.21
DIG ELECT SWITCH-CASCABEL	2212.33	157,744.30	187,974.25
DIG ELECT SWITCH-YOUNG	2212.55	320,795.00	309,186.16
DIG ELECT SWITCH-SAWTOOTH	2212.77	367,569.13	428,998.95
CENTRAL OFFICE TRANS - ID	2230.11	1,006,852.52	1,103,441.44
CENTRAL OFFICE TRAN - OR	2230.22	73,337.72	81,306.04
CENTRAL OFFICE TRAN-CASCABEL	2230.33	303,076.24	304,973.68
CENTRAL OFFICE TRANS-YOUNG	2230.55	560,420.47	565,808.81
CO TRANS - SAWTOOTH	2230.77	993,624.85	1,003,642.75
STATION APPRATUS	2311.11	27,232.00	27,232.00
PUBLIC TELE EQUIP - IDAHO	2351.11	2,896.80	2,896.80
PUBLIC TELE EQUIP - OREGON	2351.22	3,168.46	3,168.46
PUBLIC TELE EQUIP - YOUNG	2351.55	5,619.22	5,619.22
PUBLIC TELE EQUIP-SAWTH	2351.77	24,502.10	24,502.10
BURIED CABLE - IDAHO	2423.11	3,345,248.58	3,359,456.18
BURIED CABLE - OREGON	2423.22	901,522.57	901,522.57
BURIED CABLE - CASCABEL	2423.33	766,075.21	766,075.21
BURIED CABLE - YOUNG	2423.55	800,503.67	800,503.67
BURIED CABLE - SAWTOOTH	2423.77	1,227,101.49	1,227,101.49
		<hr/>	<hr/>
		14,383,162.36	14,977,173.90
3112 ACCUM DEP TELE PLANT			
ACCUM. DEP. VEHICLE	3112.11	(301,653.14)	(272,800.07)
ACCUM DEP. VEHICLE CASCABEL	3112.33	(13,544.90)	(17,344.90)
ACCUM DEP. VEHICLE -YOUNG	3112.55	(17,500.00)	(22,480.00)
ACCUM DEP. VEHICLE-SAWTH	3112.77	(4,199.00)	(8,398.00)
ACCUM DEP OTHER WK EQ-ID	3116.11	(312,506.43)	(349,024.43)
ACCUM DEP OTHER WK EQ -CASCABEL	3116.33	(21,659.00)	(21,980.00)
ACCUM DEP OTHER WK-SAWTH	3116.77	(4,742.85)	(6,533.85)
ACCUM DEP BLDG - IDAHO	3121.11	(113,976.68)	(125,333.68)
ACCUM DEP BLDG. - OREGON	3121.22	(9,097.26)	(9,559.26)
ACCUM DEP BLDG. - YOUNG	3121.55	(996.00)	(1,474.00)
ACCUM DEP BLDG.-SAWTH	3121.77	(40,992.14)	(47,780.14)
ACCUM DEP OFFICE FURN-ID	3122.11	(53,926.00)	(58,941.00)
ACCUM DEP F & F YOUNG	3122.55	(243.00)	(314.00)
ACCUM DEP F & F - SAWTOOTH	3122.77	(154.00)	(277.00)
ACCUM DEP OFFICE EQUIP-ID	3123.11	(3,348.44)	(3,348.44)
ACCUM DEP GEN PUR COMPTRS	3124.11	(148,071.91)	(174,702.74)
ACCUM DEP COMPUTERS CAS	3124.33	(2,360.00)	(3,755.00)
ACCUM DEP COMPUTERS - YOUNG	3124.55	(624.00)	(1,018.00)
ACCUM DEP DIG SWH-ID	3212.11	(750,168.44)	(957,036.54)
ACCUM DEP DIG SW-OR	3212.22	(49,327.00)	(92,763.90)
ACCUM DEP DIG SW-CASCABEL	3212.33	(79,223.00)	(106,672.00)
ACCUM DEP DIG SW-YOUNG	3212.55	(85,708.00)	(18,622.00)
ACCUM DEP DIG SW-SAWTH	3212.77	(76,195.00)	(135,091.52)
ACCUM DEP C.O. TRANS-IDAHO	3230.11	(329,013.24)	(440,035.97)
ACCUM DEP TRANS-OREGON	3230.22	(13,753.48)	(26,963.48)
ACCUM DEP C.O. TRANS-AZ	3230.33	(88,879.00)	(97,115.00)
ACCUM DEP C.O. TRANS-YOUNG	3230.55	(367,043.57)	(403,686.57)
ACCUM DEP CO. TRANS-SAWTH	3230.77	(656,689.09)	(800,906.66)
ACCUM DEP STA APPRATUS-ID	3311.11	(16,796.60)	(16,796.60)
ACCUM DEP PUBLIC TELE-IDAHO	3351.11	(2,896.80)	(2,896.80)

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
ACCUM DEP PUBLIC TELE-OREGON	3351.22	(3,168.00)	(3,168.00)
ACCUM DEP PUBLIC TELE-YOUNG	3351.55	(5,619.22)	(5,619.22)
ACCUM DEP PUBLIC TELE-SAWTH	3351.77	(24,502.10)	(24,502.10)
ACCUM DEP BURIED CABLE-ID	3423.11	(1,058,946.68)	(1,252,258.68)
ACCUM DEP BURIED CABLE-OREGON	3423.22	(391,171.48)	(435,267.48)
ACCUM DEP BURIED CABLE-CASCABEL	3423.33	(133,447.00)	(165,366.00)
ACCUM DEP BURIED CABLE-YOUNG	3423.55	(305,767.85)	(339,122.83)
ACCUM DEP BURIED CABLE-SAWTH	3423.77	(690,265.32)	(772,071.32)
		<hr/>	<hr/>
		(6,178,175.62)	(7,221,027.18)
4001 LINE OF CREDIT PAYABLE			
RTFC LOAN - LINE OF CREDIT	4050.11	0.00	(301,000.00)
		<hr/>	<hr/>
		0.00	(301,000.00)
4010 ACCOUNTS PAYABLE			
ACCOUNTS PAYABLE	4010.00	(169,950.54)	(131,258.16)
A/P AT&T	4010.01	(46,068.79)	(46,828.84)
A/P U.S. WEST COMM	4010.02	0.00	1,689.38
G.T.E. ACCOUNT PAY	4010.04	(39.14)	(10.87)
A/P US INTELCO	4010.05	(12,551.66)	(6,716.64)
ACCOUNTS PAYABLE OTHER	4010.07	(6,159.49)	(16,169.00)
A/P AT&T YOUNG	4010.11	(14,539.36)	(15,906.56)
EMPLOYEE CONTRIB TO SAVINGS	4010.45	(4,728.94)	(9,154.96)
USF CHARGE IDAHO	4010.47	(161.55)	(171.23)
CUSTOMER DEPOSITS-IDAHO	4040.11	(50.00)	(450.00)
CUSTOMER DEPOSITS-OREGON	4040.22	(250.00)	(200.00)
CUSTOMER DEPOSITS-CASCABEL	4040.33	(25.00)	(300.00)
CUSTOMER DEPOSITS - SAWTOOTH	4040.47	(288.61)	0.00
CUSTOMER DEPOSITS-YOUNG	4040.55	(425.00)	(650.00)
CUSTOMER DEPOSITS-SAWTH	4040.77	(100.00)	(950.00)
		<hr/>	<hr/>
		(255,338.08)	(227,076.88)
4011 ACC P/R AND OTHER TAXES			
PREPAID PROPERTY TAX	1310.02	(75,927.26)	(77,715.63)
PREPAID EXP - SAWTOOTH	1320.77	0.00	(3,586.93)
FEDERAL WITHHOLDING	4010.30	0.00	(4,917.80)
IDAHO INCOME TAX WITHHELD	4010.31	(2,971.44)	(4,049.68)
FICA & MEDICARE-EMPLOYEE	4010.33	0.00	(3,397.25)
FICA & MEDICARE-EMPLOYER	4010.34	(83.79)	(3,397.25)
A/P IDAHO SUTA	4010.35	(617.94)	(958.40)
A/P FUTA	4010.37	(88.44)	(150.48)
A/P FED EXCISE TAX	4010.40	(2,454.51)	(2,472.01)
A/P OREGON 911 TAX	4010.41	(546.18)	(558.77)
A/P ITAP IDAHO	4010.42	(132.83)	(54.98)
A/P OTAP OREGON	4010.43	0.00	(24.34)
A/P SALES TAXES, IDAHO	4010.44	(531.11)	(1,286.44)
A/P USE TAX - IDAHO	4010.46	(463.33)	(90.43)
DEFICIENT IDAHO USE TAX	4010.50	(39.01)	0.00
GILA COUNTY (GLA) AZ USE TAX	4010.58	0.00	(9,741.05)
SALES TAX YOUNG	4010.59	(855.96)	(930.01)
ARIZONA INCOME TAX WITHHELD	4010.60	(128.86)	(142.07)
SALES TAX, CASCABEL	4010.61	(753.48)	(555.76)
A/P ARIZONA SUTA	4010.62	(113.34)	0.00
E911 TAX CASCABEL	4010.63	(43.85)	(53.85)
TELECOMMUNICATIONS DEVICES	4010.64	(70.69)	(48.34)
A/P FUTA YOUNG	4010.77	0.00	(1.32)
AZ E911 TAX - YOUNG	4010.78	(81.07)	(90.78)
AZ TELECOMM DEVICES TAX	4010.79	(39.71)	(79.09)

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Account Name	Account #	Prior 12/31/1998 (Adjusted)	Ending 12/31/1999 (Adjusted)
STATE TAX	4010.83	5,860.00	(20.00)
FEDERAL TAX	4010.91	65,000.00	0.00
A/P IDAHO 911 CHARGE	4010.92	0.00	(47.48)
		<u>(15,082.80)</u>	<u>(114,370.14)</u>
4012 ACC INTEREST PAYABLE			
ACCRUED INTEREST, REA	4010.51	(22,335.11)	(21,465.53)
ACCRUED INTEREST OTHER	4010.52	(29,836.67)	(33,791.51)
		<u>(52,171.78)</u>	<u>(55,257.04)</u>
4050 LONG TERM			
CURRENT PORTION OF DEBT	4050.02	0.00	787,707.32
RTFC LOAN - CONSTRUCTION	4050.06	(258,865.54)	(200,631.28)
C D LOANS	4050.07	(30,060.00)	0.00
PICK-UPS LOAN-WEST ONE	4050.09	(15,888.08)	(10,485.46)
WEST ONE NOTE (LOWBOY II)	4050.10	(4,074.47)	0.00
PACIFIC ONE LOAN ((VEHICLE)	4050.15	(12,826.98)	(1,981.25)
1994 KENWORTH TRUCK LOAN - PAC ONE NOTE #9022	4050.16	0.00	(25,640.76)
PACIFIC ONE - STANLEY HOUSE	4050.17	0.00	(22,360.00)
NOTE/US BANK - 99 DODGE DURANGO LOAN	4050.18	0.00	(18,516.80)
BANK/WEST/VEHICLE LOAN - EAGLE-KAREN #700	4050.19	0.00	(7,677.19)
RTFC - SWITH LOAN	4209.77	(378,947.00)	(362,821.12)
REA LOAN A - 2%	4210.01	(642,830.00)	(610,162.04)
REA LOAN C, ACQU, NOTE	4210.02	(297,452.53)	(289,779.49)
REA LOAN C CONST. NOTE	4210.03	(1,082,139.25)	(1,054,281.94)
REA LOAN E LONG TERM	4210.04	(241,126.58)	(232,249.38)
RUS LOAN F	4210.05	(3,132,390.49)	(2,997,715.91)
RTFC - SAWTOOTH NOTE	4210.77	(1,924,849.45)	(1,821,306.05)
PACIFIC ONE- STANLEY HOUSE	4211.77	(82,253.89)	(33,891.31)
		<u>(8,103,704.26)</u>	<u>(6,901,792.66)</u>
4051 LESS CURRENT PORTION OF LONG-T			
CURRENT PORTION OF DEBT	4055.00	0.00	(787,707.32)
		<u>0.00</u>	<u>(787,707.32)</u>
4340 DEFERRED INCOME TAXES			
DEFERRED INC. TAX - FED.	4340.01	(519,317.45)	(489,132.45)
DEFERRED INC. TAX-IDAHO	4340.02	(172,065.00)	(164,345.00)
		<u>(691,382.45)</u>	<u>(653,477.45)</u>
4500 STOCKHOLDERS' EQUITY			
COMMON STOCK	4510.00	(25,000.00)	(25,000.00)
ADDITIONAL PAID IN CAPITAL	4520.01	(7,910.26)	(7,910.26)
TREASURY STOCK	4530.01	64,000.00	64,000.00
RETAINED EARNINGS, PREF. TAXED	4550.01	(8,016.86)	(8,016.86)
RETAINED EARNINGS	4550.02	(2,017,595.96)	(2,403,310.00)
RETAINED EARNINGS - SAWTH	4550.77	195,273.10	422,141.19
		<u>(1,799,249.98)</u>	<u>(1,958,095.93)</u>
	Grand Total	<u>158,845.95</u>	<u>(230,601.16)</u>

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

6/20/00

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
1120	CASH AND CASH EQUIVALENTS		
	CASH WEST ONE BANK	1120.01	103,457.54
	CASH KEY BANK	1120.02	1,798.00
	CASH REA ACCT	1120.03	973.37
	PETTY CASH	1120.04	800.00
	CASH RADIO SHACK ACCT WEST ONE	1120.06	6,522.74
	CASH US BANK (CAMBRIDGE)	1120.08	520.20
	CASH - SMITH BARNEY	1120.10	37.82
	CASH - MACRO SAVINGS WEST ONE	1120.22	4,193.62
	CASH - CD WEST ONE BANK	1120.23	37,630.41
	CASH SAVINGS 1ST INTERSTATE	1120.24	14,100.00
	CASH IN BANK-SAWTOOTH	1120.77	48,848.79
			218,882.49
1180	ACCOUNTS RECEIVABLE		
	TELECOM ACCTS RECBL IDAHO	1180.11	41,710.82
	TELECOM ACCTS RECBL OREGON	1180.22	15,393.72
	TELECOM ACCTS RECBL CASCL	1180.33	12,874.05
	TELECOM ACCTS RECBL YOUNG	1180.55	20,490.97
	TELECOMACCTS RECBL-SAW	1180.77	20,068.41
	ACCTS RCBL - NECA IDAHO	1190.04	134,397.00
	AT&T CREDIT CARD/SC	1190.05	800.00
	US INTELCO REC/NET	1190.06	1,781.88
	AT&T ACCESS REC/CABS	1190.07	34,193.15
	A/R - NECA OREGON	1190.08	40,723.00
	A/R - OECA	1190.09	714.00
	A/R - NECA, CASCABEL	1190.13	19,197.00
	A/R - NECA YOUNG	1190.15	14,984.00
	A/R-STUART ENTERPRISES	1190.65	516.27
	A/R - NECA - SAWTOOTH	1190.73	6,434.00
	A/R - CARRIERS-SAWTOOTH	1190.74	39,813.36
	A/R CARRIERS CLEARING-SWTH	1190.75	8,246.07
	A/R SAWTH TELEPH INC	1190.77	81,585.99
	A/R CARRIERS	1190.80	94,051.73
	A/R CARRIERS CLEARING	1190.81	(4,987.62)
	A/R CARRIERS PRE-1996	1190.82	689.71
	A/R - MISC	1190.89	1,924.15
	A/R-RADIO SHACK	1406.09	4,485.08
	A/R REC IDAHO CABLE TV	1406.16	(111.08)
	A/R CABLE TV ARIZONA	1406.31	411.12
	A/R INTERNET	1406.32	(561.11)
			589,825.67
1220	INVENTORY		
	INVENTORY MATERIALS	1220.10	60,063.38
	INVENTORY - RADIO SHACK	1406.01	41,767.51
	INVENTORY - OTHER	1406.02	11,933.08
	INVENTORY - CABLE TV	1406.03	9,592.07
			123,356.04
1310	PREPAID		
	PREPAID INSURANCE	1310.01	5,511.79
	PREPAID LEASES	1310.06	5,128.00
			10,639.79
1406	INVESTMENTS		
	INVESTMENT IN SUBSIDIARY - SAWTOOTH	1401.77	650,000.00
	INVESTMENT - R/S FRANCHISE	1406.04	5,000.00

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
	INVESTMENT - ID COMPANY	1406.05	3,000.00
	INVESTMENT - RTFC	1406.07	18,909.93
	INVESTMENT - WESTERN TELEDATA	1406.08	2,000.00
	INVESTMENT - SYSTEM SEVEN	1406.17	14,000.00
	INVEST-SNAKE RIVER CELLULAR	1406.20	39,187.00
	INVESTMENT - RTFC	1406.77	108,728.27
			<hr/>
			840,825.20
1407	NON-REGULATED EQUIP		
	NON-REGULATED EQUIPMENT	1406.10	23,985.81
	NON-REG ALLOW DEP EQUIP	1406.11	(22,231.82)
	NON-REG CABLE TV - ID	1406.14	101,572.14
	NON-REG DEP CABLE TV	1406.15	(81,601.36)
	NON REG CABLE TV - AZ	1406.18	166,052.72
	NON REG ALL. DEP CABLE TV	1406.19	(95,547.98)
	IDAHO INTERNET - ALLOW DEP.	1406.27	12,517.94
			<hr/>
			104,747.45
1408	OTHER NON-CURRENT		
	DEF RECBL INS MARY & LANE	1406.33	33,752.25
	DEF RECBL INS SHIRLEY	1406.34	58,960.22
	RNS NOTE RECEIVABLE - (RURAL NETWORK SERVICE	1406.50	94,871.39
			<hr/>
			187,583.86
1438	EXTRAORDINARY PLANT RETIREMEN		
	OREGON PLANT RETIREMENT	1438.03	78,834.00
	RES-AMORT OF ORE PLANT RET	1438.04	(78,834.00)
			<hr/>
			0.00
2003	TELEPHONE PLANT UNDER CONSTRU		
	PLT CONST. YELLOW PINE	2003.11	34,266.83
	PLT CONST. OREGON	2003.22	115,846.01
	PLT CONST. YOUNG	2003.55	16,259.27
			<hr/>
			166,372.11
2005	PLANT ACQ ADJUSTMENT		
	HARPER/JUNTURA PLANT ADJ	2005.01	73,422.14
	RES-AMORT H/J PLANT ADJ	2005.02	(46,367.20)
	PLANT - ACQ ADJ - SAWTOOTH	2005.77	1,193,322.38
	RES AMT SAWTOOTH PLANT ACQ	2005.78	(99,443.55)
	PLANT - ACQ ADJ	2007.55	222,629.95
	RES AMT. YOUNG PLT ACQ.	2007.56	(16,078.79)
			<hr/>
			1,327,484.93
2111	TELE PLANT IN SERVICE		
	LAND - IDAHO	2111.10	3,760.80
	BUILDINGS - IDAHO	2111.11	343,841.56
	LAND - OREGON	2111.22	4,237.00
	LAND - YOUNG	2111.54	20,207.26
	BUILDINGS - YOUNG	2111.55	14,347.30
	LAND - SAWTOOTH	2111.70	73,600.00
	BUILDINGS - SAWTOOTH	2111.77	221,912.82
	VEHICLES	2112.11	339,077.41
	VEHICLES - CASCABEL	2112.33	14,644.90
	VEHICLES - YOUNG	2112.55	24,900.00
	OTHER WORK EQUIP. - IDAHO	2116.11	416,260.44
	OTHER WORK EQUIP.-CASCABEL	2116.33	21,980.00
	OTHER WORK EQUIP.-SAWTH	2116.77	7,868.04

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
	BUILDINGS - OREGON	2121.22	15,380.60
	OFFICE FURNITURE - IDAHO	2122.11	69,703.22
	OFFICE FURNITURE - YOUNG	2122.55	500.00
	OFFICE FURNITURE -SAWTH	2122.77	861.00
	OFFICIAL STATION EQUIP	2123.11	3,348.44
	GENERAL PURPOSE COMPUTERS	2124.11	199,568.88
	GEN PUR COMPUTERS-CASCABEL	2124.33	4,297.70
	GEN PUR COMPUTERS-YOUNG	2124.55	1,972.46
	DIGITAL ELECT SWITCH-IDAHO	2212.11	1,313,424.15
	DIG ELECT SWITCH-ORE	2212.22	216,943.62
	DIG ELECT SWITCH-CASCABEL	2212.33	157,744.30
	DIG ELECT SWITCH-YOUNG	2212.55	267,732.02
	DIG ELECT SWITCH-SAWTOOTH	2212.77	283,758.14
	CENTRAL OFFICE TRANS - ID	2230.11	971,951.65
	CENTRAL OFFICE TRAN - OR	2230.22	15,386.33
	CENTRAL OFFICE TRAN-CASCABEL	2230.33	200,321.02
	CENTRAL OFFICE TRANS-YOUNG	2230.55	510,547.03
	CO TRANS - SAWTOOTH	2230.77	878,995.03
	STATION APPRATUS	2311.11	27,232.00
	PUBLIC TELE EQUIP - IDAHO	2351.11	2,896.80
	PUBLIC TELE EQUIP - OREGON	2351.22	3,168.46
	PUBLIC TELE EQUIP - YOUNG	2351.55	5,619.22
	PUBLIC TELE EQUIP-SAWTH	2351.77	24,502.10
	BURIED CABLE - IDAHO	2423.11	3,305,284.66
	BURIED CABLE - OREGON	2423.22	737,779.81
	BURIED CABLE - CASCABEL	2423.33	602,312.13
	BURIED CABLE - YOUNG	2423.55	726,228.45
	BURIED CABLE - SAWTOOTH	2423.77	1,220,029.49
			13,274,126.24
3112	ACCUM DEP TELE PLANT		
	ACCUM. DEP. VEHICLE	3112.11	(284,591.75)
	ACCUM DEP. VEHICLE CASCABEL	3112.33	(11,125.00)
	ACCUM DEP. VEHICLE -YOUNG	3112.55	(12,520.00)
	ACCUM DEP OTHER WK EQ-ID	3116.11	(268,257.51)
	ACCUM DEP OTHER WK EQ -CASCABEL	3116.33	(19,186.00)
	ACCUM DEP OTHER WK-SAWTH	3116.77	(3,619.85)
	ACCUM DEP BLDG - IDAHO	3121.11	(102,773.68)
	ACCUM DEP BLDG. - OREGON	3121.22	(8,635.26)
	ACCUM DEP BLDG. - YOUNG	3121.55	(518.00)
	ACCUM DEP BLDG.-SAWTH	3121.77	(34,267.14)
	ACCUM DEP OFFICE FURN-ID	3122.11	(48,322.20)
	ACCUM DEP F & F YOUNG	3122.55	(172.00)
	ACCUM DEP F & F - SAWTOOTH	3122.77	(31.00)
	ACCUM DEP OFFICE EQUIP-ID	3123.11	(3,348.44)
	ACCUM DEP GEN PUR COMPTRS	3124.11	(114,059.38)
	ACCUM DEP COMPUTERS CAS	3124.33	(1,455.00)
	ACCUM DEP COMPUTERS - YOUNG	3124.55	(230.00)
	ACCUM DEP DIG SWH-ID	3212.11	(588,117.44)
	ACCUM DEP DIG SW-OR	3212.22	(34,298.00)
	ACCUM DEP DIG SW-CASCABEL	3212.33	(63,401.00)
	ACCUM DEP DIG SW-YOUNG	3212.55	(55,840.00)
	ACCUM DEP DIG SW-SAWTH	3212.77	(135,050.03)
	ACCUM DEP C.O. TRANS-IDAHO	3230.11	(214,618.24)
	ACCUM DEP TRANS-OREGON	3230.22	(7,048.48)
	ACCUM DEP C.O. TRANS-AZ	3230.33	(63,622.00)
	ACCUM DEP C.O. TRANS-YOUNG	3230.55	(349,716.57)
	ACCUM DEP CO. TRANS-SAWTH	3230.77	(515,681.09)

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
	ACCUM DEP STA APPRATUS-ID	3311.11	(16,796.60)
	ACCUM DEP PUBLIC TELE-IDAHO	3351.11	(2,896.80)
	ACCUM DEP PUBLIC TELE-OREGON	3351.22	(3,168.00)
	ACCUM DEP PUBLIC TELE-YOUNG	3351.55	(5,619.22)
	ACCUM DEP PUBLIC TELE-SAWTH	3351.77	(24,502.10)
	ACCUM DEP BURIED CABLE-ID	3423.11	(867,597.68)
	ACCUM DEP BURIED CABLE-OREGON	3423.22	(350,486.48)
	ACCUM DEP BURIED CABLE-CASCABEL	3423.33	(107,784.00)
	ACCUM DEP BURIED CABLE-YOUNG	3423.55	(273,960.85)
	ACCUM DEP BURIED CABLE-SAWTH	3423.77	(608,694.32)
			<hr style="width: 100%; border: 0.5px solid black;"/>
			(5,202,011.11)
4010	ACCOUNTS PAYABLE		
	A/R - M&L ENT. INC	1190.60	(4,477.89)
	ACCOUNTS PAYABLE	4010.00	(294,729.36)
	A/P AT&T	4010.01	(16.45)
	A/P U.S. WEST COMM	4010.02	(1,595.62)
	G.T.E. ACCOUNT PAY	4010.04	(24.25)
	A/P US INTELCO	4010.05	(13,800.55)
	AT&T CALLING CARD ACCT PAY	4010.06	(1,856.79)
	A/P AT&T YOUNG	4010.11	50.00
	A/P US WEST COMM - YOUNG	4010.12	(634.98)
	A/P US INTLECO - YOUNG	4010.15	780.65
	EMPLOYEE CONTRIB TO SAVINGS	4010.45	(3,687.32)
	USF CHARGE IDAHO	4010.47	(40.80)
	A/P - MTE - SAWTOOTH	4010.87	(81,598.46)
	CREDIT CARD CLEARING	4010.99	1,669.08
	CUSTOMER DEPOSITS-IDAHO	4040.11	(200.00)
	CUSTOMER DEPOSITS-OREGON	4040.22	(375.00)
	CUSTOMER DEPOSITS-CASCABEL	4040.33	(250.00)
	CUSTOMER DEPOSITS - SAWTOOTH	4040.47	(158.92)
	CUSTOMER DEPOSITS-YOUNG	4040.55	(200.00)
	CUSTOMER DEPOSITS-SAWTH	4040.77	(300.00)
			<hr style="width: 100%; border: 0.5px solid black;"/>
			(401,446.66)
4011	ACC P/R AND OTHER TAXES		
	PREPAID PROPERTY TAX	1310.02	(78,963.78)
	IDAHO INCOME TAX WITHHELD	4010.31	(2,615.88)
	FICA & MEDICARE-EMPLOYEE	4010.33	(683.40)
	FICA & MEDICARE-EMPLOYER	4010.34	(795.09)
	A/P IDAHO SUTA	4010.35	(663.16)
	A/P FUTA	4010.37	(126.43)
	A/P FED EXCISE TAX	4010.40	(3,385.57)
	A/P OREGON 911 TAX	4010.41	(552.88)
	A/P OTAP OREGON	4010.43	(31.72)
	A/P SALES TAXES, IDAHO	4010.44	(1,212.30)
	MEDICAL INSURANCE-EMPLOYEE SHARE	4010.49	(1,572.98)
	SALES TAX YOUNG	4010.59	(891.75)
	ARIZONA INCOME TAX WITHHELD	4010.60	(97.98)
	SALES TAX, CASCABEL	4010.61	(601.16)
	A/P ARIZONA SUTA	4010.62	(18.79)
	E911 TAX CASCABEL	4010.63	(73.62)
	TELECOMMUNICATIONS DEVICES	4010.64	(64.16)
	A/P FUTA YOUNG	4010.77	(55.35)
	AZ E911 TAX - YOUNG	4010.78	(43.68)
	AZ TELECOMM DEVICES TAX	4010.79	(39.56)
	STATE TAX	4010.83	19,813.00
	FEDERAL TAX	4010.91	3,518.00

MIDVALE TELEPHONE EXCHANGE, INC.
AUDIT REPORT CONSOLIDATED BALANCE SHEET

Group #	Description	Account #	Ending 12/31/1997 (Adjusted)
			(69,158.24)
4012	ACC INTEREST PAYABLE		
	ACCRUED INTEREST, REA	4010.51	(23,167.45)
	ACCRUED INTEREST OTHER	4010.52	(29,728.30)
			(52,895.75)
4049	CONSTRUCTION DEBT		
	RTFC LOAN - CONSTRUCTION	4050.06	(285,000.00)
			(285,000.00)
4050	LONG TERM		
	IBM CONTRACT	4050.03	(4,731.82)
	WEST ONE NOTE (LOWBOY II)	4050.10	(13,202.00)
	PACIFIC ONE LOAN ((VEHICLE)	4050.15	(23,390.36)
	REA LOAN A - 2%	4210.01	(674,851.90)
	REA LOAN C, ACQU, NOTE	4210.02	(304,752.02)
	REA LOAN C CONST. NOTE	4210.03	(1,108,640.37)
	REA LOAN E LONG TERM	4210.04	(249,571.58)
	RUS LOAN F	4210.05	(3,260,508.65)
	RTFC - SAWTOOTH NOTE	4210.77	(2,018,848.10)
	PACIFIC ONE- STANLEY HOUSE	4211.77	(125,773.24)
			(7,784,270.04)
4340	DEFERRED INCOME TAXES		
	DEFERRED INC. TAX - FED.	4340.01	(448,450.00)
	DEFERRED INC. TAX-IDAHO	4340.02	(151,362.00)
			(599,812.00)
4500	STOCKHOLDERS' EQUITY		
	COMMON STOCK	4510.00	(25,000.00)
	COMMON STOCK - SAWTOOTH	4510.77	(650,000.00)
	ADDITIONAL PAID IN CAPITAL	4520.01	(7,910.26)
	TREASURY STOCK	4530.01	64,000.00
	RETAINED EARNINGS, PREF. TAXED	4550.01	(8,016.86)
	RETAINED EARNINGS	4550.02	(1,723,686.33)
	RETAINED EARNINGS - SAWTH	4550.77	14,077.21
			(2,336,536.24)
			112,713.74
	Grand Total		112,713.74

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Supporting Schedules: Recap Schedules:

Schedule: E-6

E-2

Title: Comparative Departmental Operating Income Statements

Income Statements

Explanation:

Schedule showing comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the test year.

MTE does not have departments

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: E-7

Title: Operating Statistics

Explanation:

Schedule showing key operating statistics in comparative format, for the test year and the 2 fiscal years ended prior to the test year.

Telephone Statistics:	1999	1998	1997
Main Telephones	648	567	527
Company Telephones	6	6	6
Revenue Per Main Telephone	\$1,121	\$1,381	\$1,440
Messages		171,372	177,884
Plant in Service	\$3,060,663	\$3,034,757	\$2,573,354
Plant in Service Per Telephone	\$4,680	\$5,296	\$4,828

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: E-8

Title: Taxes Charged to Operations

Explanation:

A schedule showing all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the test year.

	Account #	Year Ending 12/31/97	Year Ending 12/31/98	Year Ending 12/31/99
7220				
		PROVISION FOR DEFERRED INC TAX		
INCOME TAX EXP. CASCABEL	7230.33	1,200	3,086	1,520
INCOME TAX EXP., YOUNG,AZ	7230.55	4,900	3,086	1,520
		<u>6,100</u>	<u>6,171</u>	<u>3,040</u>
7240				
		OTHER OPERATING TAXES		
PROPERTY TAX - CASCABEL	7240.33	29,162	31,036	33,995
PROPERTY TAX - YOUNG, AZ	7240.55	45,984	44,757	46,777
OTHER TAXES - CASCABEL	7250.33	40	-	278
OTHER TAXES - YOUNG	7250.55	97	-	232
		<u>75,283</u>	<u>75,794</u>	<u>81,283</u>

Note: See Attached

**MIDVALE TELEPHONE EXCHANGE, INC.
DEFERRED TAX ALLOCATION**

DECEMBER 31, 1999

	<u>TOTAL</u>	<u>ID/SAW</u>	<u>OREGON</u>	<u>AZ</u>
A/C 2111	14,977,174	10,628,688	1,287,823	3,060,663
LESS: A/C 3XXX	(7,221,028)	(5,448,736)	(567,722)	(1,204,570)
NET PLANT ALLOCATOR	<u>7,756,146</u>	<u>5,179,952</u>	<u>720,101</u>	<u>1,856,093</u>
DISTRIBUTION PERCENTAGE	<u>1.00</u>	<u>0.667851</u>	<u>0.092843</u>	<u>0.239306</u>
<i>DEFERRED TAX - FEDERAL</i>	<i>489,132</i>	<i>326,668</i>	<i>45,412</i>	<i>117,052</i>
<i>DEFERRED TAX - STATE</i>	<i>164,345</i>	<i>109,758</i>	<i>15,258</i>	<i>39,329</i>

DECEMBER 31, 1998

	<u>TOTAL</u>	<u>ID/SAW</u>	<u>OREGON</u>	<u>AZ</u>
A/C 2111	14,383,162	10,123,339	1,225,067	3,034,757
LESS: A/C 3XXX	(6,178,176)	(4,589,044)	(466,517)	(1,122,615)
NET PLANT ALLOCATOR	<u>8,204,987</u>	<u>5,534,295</u>	<u>758,550</u>	<u>1,912,142</u>
DISTRIBUTION PERCENTAGE	<u>1.00</u>	<u>0.674504</u>	<u>0.092450</u>	<u>0.233046</u>
<i>DEFERRED TAX - FEDERAL</i>	<i>519,317</i>	<i>350,282</i>	<i>48,011</i>	<i>121,025</i>
<i>DEFERRED TAX - STATE</i>	<i>172,065</i>	<i>116,058</i>	<i>15,907</i>	<i>40,099</i>

DECEMBER 31, 1997

	<u>TOTAL</u>	<u>ID/SAW</u>	<u>OREGON</u>	<u>AZ</u>
A/C 2111	13,274,127	9,707,877	992,896	2,573,354
LESS: A/C 3XXX	(5,202,011)	(3,833,225)	(403,636)	(965,150)
NET PLANT ALLOCATOR	<u>8,072,116</u>	<u>5,874,652</u>	<u>589,260</u>	<u>1,608,204</u>
DISTRIBUTION PERCENTAGE	<u>1.00</u>	<u>0.727771</u>	<u>0.072999</u>	<u>0.199230</u>
<i>DEFERRED TAX - FEDERAL</i>	<i>448,450</i>	<i>326,369</i>	<i>32,737</i>	<i>89,344</i>
<i>DEFERRED TAX - STATE</i>	<i>151,362</i>	<i>110,157</i>	<i>11,049</i>	<i>30,156</i>

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: E-9

Title: Notes to Financial Statements

Explanation:

Disclosure of important facts pertaining to the understanding of the financial statements.

Disclosures should include, but not be limited to the following:

1. Accounting method.

(See Attached)

2. Depreciation lives and methods employed by major classifications of utility property.

(See Attached)

3. Income tax treatment - normalization or flow through.

(See Attached)

4. Interest rate used to charge interest during construction, if applicable.

N/A

MIDVALE TELEPHONE EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 1999 and 1998

NOTE D - TELECOMMUNICATIONS PLANT

The telephone plant in service is stated at cost (see Notes A and E). Listed below are the major classes of the Telecommunications Plant as of December 31:

	<u>1999</u>	<u>1998</u>
Land	\$ 101,806	\$ 101,806
Motor vehicles	493,572	439,417
Other work equipment	473,436	456,813
Buildings	632,155	625,924
Furniture and office equipment	339,745	300,754
Central office equipment	5,881,801	5,417,996
Buried cable	<u>7,054,659</u>	<u>7,040,452</u>
	<u>\$ 14,977,174</u>	<u>\$ 14,383,162</u>

The Company provides for depreciation on a straight-line basis at annual rates, which will amortize the depreciable property over estimated useful lives as established by the Utility Regulatory Agency of the state in which the Company operates. The provision as a percentage of the average balance of the telephone plant in-service was 7.53% and 7.89% in 1999 and 1998, respectively. Individual annual depreciation rates are as follows:

Motor vehicles	20%
Other work equipment	20%
Buildings	3%
Furniture and office equipment	7% - 20%
Central office equipment	5.3% - 12.5%
Buried cable	4% - 6.7%

MIDVALE TELEPHONE EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 1999 and 1998

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Pledged:

Substantially all assets are pledged as security for long-term debt to United States of America (Rural Utility Service), except those of Sawtooth Telephone, Inc. which are pledged to the Rural Telephone Finance Cooperative (RTFC).

Income Taxes:

Deferred taxes are provided for accumulated temporary differences due to basis differences for assets and liabilities for financial reporting and income tax purposes. The significant components of deferred tax assets and liabilities are principally attributable to differences in accounting methods for the calculation of depreciation expense. Investment tax credits are accounted for by the flow-through method as a reduction of income tax expense in the period the credits are utilized.

Use of Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

NOTE B - PREPAID EXPENSES

The following is a summary of the amounts recorded as prepaid items as of December 31:

	<u>1999</u>	<u>1998</u>
Prepaid insurance	\$ 7,159	\$ 6,008
Prepaid leases	3,784	4,456
Prepaid income taxes	00	70,860
Prepaid Arizona development expenses	<u>00</u>	<u>99,377</u>
	<u>\$ 10,943</u>	<u>\$ 180,701</u>

MIDVALE TELEPHONE EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 1999 and 1998

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents:

The Company considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable and Bad Debts:

The Company employs the direct write-off method in their accounting for accounts receivable. All balances are written off directly against accounts receivable when deemed uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Inventory:

Material and supplies inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

Property, Plant and Equipment:

The telephone plant in service is stated at cost, except for those assets acquired in the acquisition of the Harper, Juntura, Young and Stanley exchanges. Utility accounting requires the assets acquired to be recorded at their original cost, including accumulated depreciation, at the date of acquisition. The cost in excess of the book value is considered an acquisition adjustment (Note E).

The Company provides for depreciation on a straight-line basis at various annual rates that depreciate the telephone plant property over its estimated useful lives as established by State Utility Commissions. Depreciation expense was \$1,127,559 for 1999 and \$1,091,127 for 1998.

MIDVALE TELEPHONE EXCHANGE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

Midvale Telephone Exchange, Inc., is a public utility located in Midvale, Idaho, and is licensed to provide telephone service to the residents of Midvale and the surrounding rural areas, Harper and Juntura, Oregon, and the Lakeview, Idaho, area. In July of 1994, the Company put into service the Cascabel exchange serving the rural area of Benson, Arizona. The Company acquired the Young, Arizona exchange in April of 1995, and in November of 1995 put the Warren, Idaho exchange into service. The Company completed the construction of the Yellow Pine and Warm Lake, Idaho exchanges and they began operation in November of 1998. In October 1998, the Company's wholly owned subsidiary, Sawtooth Telephone, Inc., acquired the Stanley, Idaho exchange. As a public utility, the Company is licensed and regulated by the Idaho Public Utilities Commission, the Oregon Public Utilities Commission and the Arizona Public Utility Commission. The Company began operations in 1908, as a partnership, and later incorporated in 1959.

Basis of Accounting:

The Company maintains its accounting records on the accrual basis. Revenue is recorded when earned, and expenses are recognized when incurred.

Principles of Consolidation:

The consolidated financial statements include the accounts of Midvale Telephone Exchange, Inc. and its wholly owned subsidiary, Sawtooth Telephone, Inc. All material intercompany transactions have been eliminated.

MIDVALE TELEPHONE EXCHANGE

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Exhibit 2

Schedule: F-1

Title: Projected Income Statements - Present and Proposed Rate

Explanation:

Schedule showing an income statement for the projected year, compared with actual test year results, at present rates proposed rates.

	<u>12/31/99 RECORDED</u>	<u>AFTER RATE CHANGE</u>
TOTAL REVENUE	865,801	1,258,613
TOTAL EXPENSES	834,327	1,165,690
% Return on Common Equity	13.0%	13.0%

Note: See Attached

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
LOCAL									
Y	RESIDENCE- R1	363	\$ 12.40	\$ 4,501.20	\$ 54,014.40	\$ 24.00	\$ 8,712.00	\$ 104,544.00	\$ 50,529.60
Y	RESIDENCE- Zone 1 Charge	0	\$ -1.10	\$ -	\$ -	\$ -1.10	\$ -	\$ -	\$ -
Y	RESIDENCE- Zone 2 Charge	0	\$ -3.30	\$ -	\$ -	\$ -3.30	\$ -	\$ -	\$ -
Y	RESIDENCE- Flat 2 Party	4	\$ -10.76	\$ -43.04	\$ -516.48	\$ 24.00	\$ 96.00	\$ 1,152.00	\$ 635.52
Y	BUSINESS - B1	58	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ -
Y	BUSINESS- Zone 1 Charge	0	\$ -1.10	\$ -	\$ -	\$ -1.10	\$ -	\$ -	\$ -
Y	BUSINESS- Zone 2 Charge	0	\$ -3.30	\$ -	\$ -	\$ -3.30	\$ -	\$ -	\$ -
Y	BUSINESS - pay	3	\$ 21.00	\$ 63.00	\$ 756.00	\$ 21.00	\$ 63.00	\$ 756.00	\$ -
Y	BUSINESS - Flat 4 Party	1	\$ -24.70	\$ -24.70	\$ -290.40	\$ 32.00	\$ 32.00	\$ 384.00	\$ 93.60
Y	KEY-SYSTEM	0	\$ -32.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX - Zone 1	0	\$ -48.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX - Zone 2	2	\$ -44.70	\$ -89.40	\$ -1,072.80	\$ 32.00	\$ 64.00	\$ 768.00	\$ (304.80)
Y	PAL	0	\$ -69.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	Foreign Exchange	1	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ -
Y	VACATION - Zone 1 Charge	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION - Zone 2 Charge	2	\$ -7.85	\$ -15.70	\$ -188.40	\$ -10.50	\$ -21.00	\$ -252.00	\$ -63.60
C	RESIDENCE- R1	172	\$ 21.00	\$ 3,612.00	\$ 43,344.00	\$ 24.00	\$ 4,128.00	\$ 49,536.00	\$ 6,192.00
C	BUSINESS - B1	30	\$ 21.00	\$ 630.00	\$ 7,560.00	\$ 32.00	\$ 960.00	\$ 11,520.00	\$ 3,960.00
C	BUSINESS - pay	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	KEY-SYSTEM	0	\$ -30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PBX	0	\$ -30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PAL	0	\$ -52.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	VACATION	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
NON-RECURRING CHARGES									
Y	SERVICE ORDER	55	\$ 10.00	\$ 550.00	\$ 550.00	\$ 10.00	\$ 550.00	\$ 550.00	\$ -
C	SERVICE ORDER	15	\$ 10.00	\$ 150.00	\$ 150.00	\$ 10.00	\$ 150.00	\$ 150.00	\$ -
Y	LINE CONNECTION	55	\$ 12.00	\$ 660.00	\$ 660.00	\$ 25.00	\$ 1,375.00	\$ 1,375.00	\$ 715.00
Y	LINE CONNECTION - Zone 1	35	\$ -32.25	\$ -1,163.75	\$ -1,163.75	\$ -25.00	\$ -875.00	\$ -875.00	\$ (288.75)
Y	LINE CONNECTION - Zone 2	20	\$ -75.25	\$ -1,505.00	\$ -1,505.00	\$ -25.00	\$ -500.00	\$ -500.00	\$ (1,005.00)
C	LINE CONNECTION	15	\$ 15.00	\$ 225.00	\$ 225.00	\$ 25.00	\$ 375.00	\$ 375.00	\$ 150.00
Y	PREMISE VISIT	55	\$ 24.50	\$ 1,347.50	\$ 1,347.50	\$ 30.00	\$ 1,650.00	\$ 1,650.00	\$ 302.50
C	PREMISE VISIT	15	\$ 30.00	\$ 450.00	\$ 450.00	\$ 30.00	\$ 450.00	\$ 450.00	\$ -
OTHER RATES & CHARGES									
CUSTOM CALLING									
Y	RES-CALL-WAITING	8	\$ -5.00	\$ -40.00	\$ -480.00	\$ -5.00	\$ -40.00	\$ -480.00	\$ -
Y	BUS-CALL-WAITING	0	\$ -7.50	\$ -	\$ -	\$ -7.50	\$ -	\$ -	\$ -
Y	RES-CALL-FORWARDING	7	\$ -2.74	\$ -19.18	\$ -230.16	\$ -2.74	\$ -19.18	\$ -230.16	\$ -
Y	BUS-CALL-FORWARDING	0	\$ -4.00	\$ -	\$ -	\$ -4.00	\$ -	\$ -	\$ -
Y	RES 3-WAY-CALLING	5	\$ -3.52	\$ -17.60	\$ -211.20	\$ -3.52	\$ -17.60	\$ -211.20	\$ -
Y	BUS 3-WAY-CALLING	0	\$ -4.20	\$ -	\$ -	\$ -4.20	\$ -	\$ -	\$ -
Y	RES-8 NO-SPEED CALLING	0	\$ -1.74	\$ -	\$ -	\$ -1.74	\$ -	\$ -	\$ -
Y	BUS-8 NO-SPEED CALLING	0	\$ -3.00	\$ -	\$ -	\$ -3.00	\$ -	\$ -	\$ -
Y	RES-30 NO-SPEED CALLING	0	\$ -1.74	\$ -	\$ -	\$ -1.74	\$ -	\$ -	\$ -
Y	BUS-30 NO-SPEED CALLING	0	\$ -3.00	\$ -	\$ -	\$ -3.00	\$ -	\$ -	\$ -
Y	RES-FIXED CALLING	0	\$ -2.50	\$ -	\$ -	\$ -2.50	\$ -	\$ -	\$ -
Y	BUS-FIXED CALLING	0	\$ -2.50	\$ -	\$ -	\$ -2.50	\$ -	\$ -	\$ -
Y	RES-LINE BUSY DIV.	0	\$ -1.85	\$ -	\$ -	\$ -1.85	\$ -	\$ -	\$ -
Y	BUS-LINE BUSY DIV.	0	\$ -8.00	\$ -	\$ -	\$ -8.00	\$ -	\$ -	\$ -
Y	ANY-2 (20% DISCOUNT)	1	\$ -6.19	\$ -6.19	\$ -74.28	\$ -6.19	\$ -6.19	\$ -74.28	\$ -
Y	ANY-3 (25% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY-4 (30% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY-5 (35% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MISCELLANEOUS									
C	VACATION RATE	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
Y	VACATION RATE - Zone 1	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION RATE - Zone 2	2	\$ -7.85	\$ -15.70	\$ -188.40	\$ -10.50	\$ -21.00	\$ -252.00	\$ -63.60
Y	PAYPHONE-LOCAL	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PRIVATE LINE EXTENSION	8	\$ 7.00	\$ 56.00	\$ 672.00	\$ 7.00	\$ 56.00	\$ 672.00	\$ -
Y	INTRACHANGE PD. MILEAGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	OFF-PREMISE EXTENSION	2	\$ 4.00	\$ 8.00	\$ 96.00	\$ 4.00	\$ 8.00	\$ 96.00	\$ -
Y	EMERG. RPT -MAIN STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	EMERG. RPT-ADDL STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	TRUNK HUNTING FEATURE	2	\$ 8.00	\$ 16.00	\$ 192.00	\$ 8.00	\$ 16.00	\$ 192.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Channel	1	\$ 6.50	\$ 6.50	\$ 78.00	\$ 6.50	\$ 6.50	\$ 78.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Trunk	6	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ -
Y	TRUNK TERMINATION	2	\$ 26.70	\$ 53.40	\$ 640.80	\$ 26.70	\$ 53.40	\$ 640.80	\$ -
Y	PBX NUMBER BLOCK	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	TRANS.MIL-FIX 27%	1	\$ -2.29	\$ -2.29	\$ -27.48	\$ -2.29	\$ -2.29	\$ -27.48	\$ -
Y	FIXED MILEAGE 20%	1	\$ -4.98	\$ -4.98	\$ -59.76	\$ -4.98	\$ -4.98	\$ -59.76	\$ -

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	UNIT/PER MONTH	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
Y	TRANS. MILEAGE 41%	2	\$ 4.98	\$ 9.96	\$ 119.52	\$ 1.98	\$ 9.96	\$ 119.52	\$ -
Y	TRANS. MILEAGE 30%	2	\$ 1.79	\$ 3.40	\$ 40.80	\$ 1.79	\$ 3.40	\$ 40.80	\$ -
Y	61X7-40-20%	1	\$ 13.42	\$ 13.42	\$ 161.04	\$ 13.42	\$ 13.42	\$ 161.04	\$ -
Y	55X7-10-MILEAGE 37%	1	\$ 17.23	\$ 17.23	\$ 206.76	\$ 17.23	\$ 17.23	\$ 206.76	\$ -
Y	25X7-10-MILEAGE 29%	1	\$ 8.71	\$ 8.71	\$ 104.52	\$ 8.71	\$ 8.71	\$ 104.52	\$ -
Y	25X7-10-MILEAGE 41%	2	\$ 8.71	\$ 17.42	\$ 209.04	\$ 8.71	\$ 17.42	\$ 209.04	\$ -
Y	80X7-10-MILEAGE 20%	1	\$ 17.60	\$ 17.60	\$ 211.20	\$ 17.60	\$ 17.60	\$ 211.20	\$ -
Y	56X SPECIAL ACCESS	0	\$ 188.50	\$ -	\$ -	\$ 188.50	\$ -	\$ -	\$ -
C	TOLL RESTRICTION - RES	3	\$ 2.00	\$ 6.00	\$ 72.00	\$ 2.00	\$ 6.00	\$ 72.00	\$ -
C	TOLL RESTRICTION - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	TOLL RESTRICTION - RES	4	\$ 2.00	\$ 8.00	\$ 96.00	\$ 2.00	\$ 8.00	\$ 96.00	\$ -
Y	TOLL RESTRICTION - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	ADDL BUS LIST	0	\$ 1.00	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
Y	ADDL BUS LIST	3	\$ 1.25	\$ 3.75	\$ 45.00	\$ 1.00	\$ 3.00	\$ 36.00	\$ (9.00)
C	ADDL RES LIST	9	\$ 1.00	\$ 9.00	\$ 108.00	\$ 1.00	\$ 9.00	\$ 108.00	\$ -
Y	ADDL RES LIST	8	\$ 1.00	\$ 8.00	\$ 96.00	\$ 1.00	\$ 8.00	\$ 96.00	\$ -
	ADDITIONAL INFORM	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	FOREIGN LISTING - RES	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	FOREIGN LISTING - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	FOREIGN LISTING - RES	1	\$ 1.00	\$ 1.00	\$ 12.00	\$ 2.00	\$ 2.00	\$ 24.00	\$ 12.00
Y	FOREIGN LISTING - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	NON-LIST	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	NON-LIST	9	\$ 1.00	\$ 9.00	\$ 108.00	\$ 2.00	\$ 18.00	\$ 216.00	\$ 86.40
C	NON-PUBLISHED	17	\$ 2.00	\$ 34.00	\$ 408.00	\$ 2.00	\$ 34.00	\$ 408.00	\$ -
Y	NON-PUBLISHED	20	\$ 1.50	\$ 45.00	\$ 540.00	\$ 2.00	\$ 60.00	\$ 720.00	\$ 180.00
C	PUBLIC ACCESS LINE (PAL)	0	\$ 62.50	\$ -	\$ -	\$ 62.50	\$ -	\$ -	\$ -
Y	PUBLIC ACCESS LINE (PAL)	0	\$ 62.50	\$ -	\$ -	\$ 62.50	\$ -	\$ -	\$ -
	CREDIT CARD SERVICE FEE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	DIRECTORY ASSISTANCE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	LINE LEASE + ACCESS CHARGE	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	INSTALL CHG.	0	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	LINE LEASE + ACCESS CHARGE	2	\$ 8.25	\$ 16.50	\$ 198.00	\$ 21.00	\$ 42.00	\$ 504.00	\$ 306.00
Y	INSTALL CHG.	0	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	EXTENSION-CONTINUOUS	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
	MISC. REVENUE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	RETURN CHECK CHARGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	INSIDE WIRE MAINTENANCE	0	\$ 1.00	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
TOTAL				\$ 17,818.44	\$ 147,257.53		\$ 22,865.40	\$ 209,209.80	\$ 61,952.27
YOUNG				\$ 12,674.84	\$ 94,609.33		\$ 16,725.80	\$ 146,259.60	\$ 51,650.27
CASCABEL				\$ 5,126.00	\$ 52,437.00		\$ 6,122.00	\$ 62,739.00	\$ 10,302.00

SUMMARY OF LOCAL REVENUES	Arizona	Young	Cascabel
CURRENT ANNUALIZED REVENUES (COL F)	147,258	94,609	52,437
- UNCOLLECTIBLE (W/S 2)	(1,279)	(284)	(995)
NET REVENUES	145,979	94,325	51,442
+ PROPOSED INCREASE (COL J)	61,952	51,650	10,302
UNCOLLECTABLE FACTOR	-0.87%	-0.30%	-1.90%
- UNCOLLECTIBLE (INCREMENTAL CHANGE)	(538)	(155)	(195)
NET INCREASE	61,414	51,495	10,107
	207,393	145,821	61,549
+ STATE USE	221,360	19,627	154,096
	428,753	165,448	215,644
+ FEDERAL USE (AMT FROM W/S 5)	313,187	221,824	91,363
TOTAL PROPOSED LOCAL REVENUES	741,939	387,272	307,007

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: F-2

Title: Projected Changes In Financial
Present and Proposed Rates

Supporting Schedules:

(a) E-3

(c) F-3

Recap Schedules:

(b) A-5

Explanation:

Schedule showing projected changes in financial position for projected year compared with the test year, at present and proposed rates.

<u>DESCRIPTION</u>	<u>TEST YEAR</u>	<u>AT PROPOSED RATES</u>
LONG TERM DEBT		
RTFC CONST. LOAN CASCABEL	200,631	200,631
RUS 5% CASCABEL	268,586	268,586
OTHER & UNSERVED	37,695	1,080,798
TOTAL DEBT	<u>506,912</u>	<u>1,550,015</u>
EQUITY (CASCABEL & YOUNG)	1,606,651	1,816,869
OTHER	-	-
TOTAL EQUITY	<u>1,606,651</u>	<u>1,816,869</u>
TOTAL	<u><u>2,113,563</u></u>	<u><u>3,366,884</u></u>

Note: See Attached

MIDVALE TELEPHONE EXCHANGE
CALCULATION OF COST OF CAPITAL - TOTAL ARIZONA

<u>LINE</u>	<u>(A)</u> <u>DESCRIPTION</u>	<u>(B)</u> <u>CAPITAL</u> <u>AMOUNT</u>	<u>(C)</u> <u>CAPITAL</u> <u>RATIO</u>	<u>(D)</u> <u>COST</u>	<u>(E)</u> <u>WGT COST</u> <u>(C x D)</u>
	LONG TERM DEBT				
1	RTFC CONST. LOAN CASCABEL	200,631	0.0949	0.0610	0.0058
2	RUS 5% CASCABEL	268,586	0.1271	0.0500	0.0064
3	OTHER	37,695	0.0178	0.0600	0.0011
4	TOTAL DEBT	<u>506,912</u>	<u>0.2398</u>		<u>0.0132</u>
5	EQUITY (CASCABEL & YOUNG)	1,606,651	0.7602	0.1300	0.0988
6	OTHER	-	0.0000	-	0.0000
7	TOTAL EQUITY	<u>1,606,651</u>	<u>0.7602</u>		<u>0.0988</u>
8	TOTAL	<u><u>2,113,563</u></u>	<u><u>1.0000</u></u>		<u><u>0.1120</u></u>

MIDVALE TELEPHONE EXCHANGE*CALCULATION OF COST OF CAPITAL - TOTAL ARIZONA*

<u>LINE</u>	(A) <u>DESCRIPTION</u>	(B) <u>CAPITAL AMOUNT</u>	(C) <u>CAPITAL RATIO</u>	(D) <u>COST</u>	(E) <u>WGT COST (C x D)</u>
	LONG TERM DEBT				
1	RITC CONST. LOAN CASCABEL	200,631	0.0596	0.0610	0.0036
2	RUS 5% CASCABEL	268,586	0.0798	0.0500	0.0040
3	OTHER (UNSERVED)	<u>1,080,798</u>	0.3210	0.0800	0.0257
4	TOTAL DEBT	<u>1,550,015</u>	0.4604		0.0333
5	EQUITY (CASCABEL & YOUNG. NEW)	1,816,869	0.5396	0.1300	0.0702
6	OTHER			-	
7	TOTAL EQUITY	<u>1,816,869</u>	0.5396		<u>0.0702</u>
8	TOTAL	<u><u>3,366,884</u></u>	<u>1.0000</u>		<u><u>0.1035</u></u>

MTE
Financing Assumptions

			Year 1	Year 2	Year 3
Loan	rate	term			
1	8.00%	15	\$ 1,031,684	\$ 993,688	\$ 952,651
2	8.00%	15		\$ 61,526	\$ 59,260
3	8.00%	15			\$ 68,886
4	8.00%	15			
5	8.00%	15			
6	8.00%	15			
7	8.00%	15			
8	8.00%	15			
9	8.00%	15			
Total			\$ 1,031,684	\$ 1,055,214	\$ 1,080,798
Annual Interest					
1				\$ 82,535	\$ 79,495
2					\$ 4,922
3					
4					
5					
6					
7					
8					
9					
Total			\$ -	\$ 82,535	\$ 84,417
Annual Principal					
1				\$ 37,996	\$ 41,036
2					\$ 2,266
3					
4					
5					
6					
7					
8					
9					
Total			\$ -	\$ 37,996	\$ 43,302
Total Annual Payment					
1			\$ 120,531	\$ 120,531	\$ 120,531
2				\$ 7,188	\$ 7,188
3					\$ 8,048
4					
5					
6					
7					
8					
9					
Total			\$ 120,531	\$ 127,719	\$ 135,767
EQUITY	20%		\$ 257,921	\$ 15,382	\$ 17,222
Cumulative Equity			\$ 257,921	\$ 273,303	\$ 290,524

MIDVALE TELEPHONE EXCHANGE

Exhibit 2
Schedule: F-3
Title: Projected Construction Requirements
Explanation:

Recap Schedules:
(a) F-2 & A-4

Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

MTE

	PROJECTED PLANT ADDITIONS			
	TEST YEAR	Year 1	Year 2	Year 3
Land		20,000	0	0
Building		50,000	-	-
Switch		350,188	11,676	19,676
Carrier Local		106,055	5,600	5,600
Carrier Toll		45,970		
OSP Local		345,732	13,722	13,722
OSP Toll		87,238		
Microwave		82,420	-	-
Lease T1		41,861	41,261	41,261
Engineering		160,141	4,649	5,849
PLANT ADDITIONS		1,289,605	76,908	86,108
TOTAL PLANT	3,060,664	4,350,269	4,427,177	4,513,285

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: F-4

Title: Assumptions Used in Developing Projection

Explanation:

Documentation of important assumptions used in preparing forecasts and projections.

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1. Customer growth

The number of lines is expected to increase by 241 due to the addition of the Millsite and Silver Bell Exchanges.
(See Attached)

2. Growth in consumption and customer demand

Customer demand is driven by the number of lines and values such as minutes, revenues, and cost are based on ratios from the existing system.

3. Changes in expenses

The change in expenses is driven by the number of lines and are based on ratios from the existing system.
(See Attached)

4. Construction requirements, including production reserves and changes in plant capacity

Construction requirements are based on engineering estimates of the plant needed to serve the Millsite and Silver Bell Exchanges.

5. Capital structure changes

Capital structure changes are based on the need for new borrowing to serve the Millsite and Silver Bell Exchanges.

MTE

	25.0%	25.0%	25.0%	
Vacation % Millsite	5.0%	5.0%	5.0%	
Vacation % Silver Bell	Year 1	Year 2	Year 3	TOTAL
MILLSITE EXCHANGE				
Millsite Service Area	148	10	10	168
Henderson Valley	34	4	4	42
SILVER BELL EXCHANGE				
Silver Bell	57	11	11	79
Rio Verde	42	15	15	72
Vacation Adj. Millsite	-37	-3	-3	-42
Vacation Adj. Silver Bell	-3	-1	-1	-4
TOTAL	241	37	37	315
CUMULATIVE	241	278	315	315

MIDVALE TELEPHONE EXCHANGE

CHANGE IN OPERATING EXPENSES

PLANT SPECIFIC OPERATIONS	\$27,462
PLANT NON-SPECIFIC OPERATIONS	\$21,595
DEP. AND AMORT	\$101,161
CUSTOMER OPERATIONS	\$20,968
CORPORATE OPERATIONS	\$56,051
OTHER OPERATING TAXES	\$9,103
INTEREST EXPENSE	\$55,023

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: H-1

Title: Summary of Revenues by Customer

Classification-Present and Proposed Rates

Explanation:

Schedule comparing revenues by customer classification for the test year, at present and proposed rates.

Supporting Schedules:
(a) H-2

Recap Schedules:
(b) A-1

	CURRENT RATE	PROPOSED RATE	PERCENT CHANGE
CASCABEL			
RESIDENCE- R1	\$ 21.00	\$ 24.00	14.3%
BUSINESS - B1	\$ 21.00	\$ 32.00	52.4%
YOUNG			
RESIDENCE- R1	\$ 12.40	\$ 24.00	77.8% *
RESIDENCE- Zone 1 Charge	\$ 1.10		
RESIDENCE- Zone 2 Charge	\$ 3.30		
RESIDENCE- Flat 2 Party	\$ 10.76		
BUSINESS - B1	\$ 32.00	\$ 32.00	-3.3% *
BUSINESS - Zone 1 Charge	\$ 1.10		
BUSINESS - Zone 2 Charge	\$ 3.30		
BUSINESS - pay	\$ 21.00	\$ 21.00	0.0%
BUSINESS - Flat 4 Party	\$ 24.20	\$ 32.00	32.2%

* Elimination of zone charges - this percent is for zone 1

See Attachment H-2

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: H-2

Title: Analysis of Revenue by Detailed Class

Explanation:

Schedule comparing revenues by detailed class of service, for the test year, at present and proposed rates.

Recap Schedules:

(a) H-1

See Attachment

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/1/98 UNITS	CURRENT RATE	MONTHLY REV @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
LOCAL									
Y	RESIDENCE - R1	363	\$ 12.40	\$ 4,501.20	\$ 54,014.40	\$ 24.00	\$ 8,712.00	\$ 104,544.00	\$ 50,529.60
Y	RESIDENCE - Zone 1 Charge	0	\$ 4.10	\$ -	\$ -	\$ 4.10	\$ -	\$ -	\$ -
Y	RESIDENCE - Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	RESIDENCE - Flat 2 Party	4	\$ 16.76	\$ 67.04	\$ 816.48	\$ 24.00	\$ 96.00	\$ 1,152.00	\$ 635.52
Y	BUSINESS - B1	58	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ -
Y	BUSINESS - Zone 1 Charge	0	\$ 1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	BUSINESS - Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	BUSINESS - pay	3	\$ 21.00	\$ 63.00	\$ 756.00	\$ 21.00	\$ 63.00	\$ 756.00	\$ -
Y	BUSINESS - Flat 4 Party	4	\$ 24.29	\$ 97.16	\$ 1,173.20	\$ 32.00	\$ 128.00	\$ 1,536.00	\$ 92.60
Y	KEY-SYSTEM	0	\$ 32.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PHX - Zone 1	0	\$ 4.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PHX - Zone 2	2	\$ 41.79	\$ 83.58	\$ 1,002.96	\$ 22.00	\$ 44.00	\$ 528.00	\$ (204.80)
Y	PAL	0	\$ 69.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	Foreign Exchange	1	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ -
Y	VACATION - Zone 1 Charge	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION - Zone 2 Charge	2	\$ 7.85	\$ 15.70	\$ 188.40	\$ 10.50	\$ 21.00	\$ 252.00	\$ 63.60
C	RESIDENCE - R1	172	\$ 21.00	\$ 3,612.00	\$ 43,344.00	\$ 24.00	\$ 4,128.00	\$ 49,536.00	\$ 6,192.00
C	BUSINESS - B1	50	\$ 21.00	\$ 1,050.00	\$ 12,600.00	\$ 32.00	\$ 1,600.00	\$ 19,200.00	\$ 3,960.00
C	BUSINESS - pay	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	KEY-SYSTEM	0	\$ 32.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PHX	0	\$ 20.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PAL	0	\$ 50.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	VACATION	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
NON-RECURRING CHARGES									
Y	SERVICE ORDER	55	\$ 10.00	\$ 550.00	\$ 550.00	\$ 10.00	\$ 550.00	\$ 550.00	\$ -
C	SERVICE ORDER	15	\$ 10.00	\$ 150.00	\$ 150.00	\$ 10.00	\$ 150.00	\$ 150.00	\$ -
Y	LINE CONNECTION	55	\$ 12.00	\$ 660.00	\$ 660.00	\$ 25.00	\$ 1,375.00	\$ 1,375.00	\$ 715.00
Y	LINE CONNECTION - Zone 1	35	\$ 23.25	\$ 813.75	\$ 979.50	\$ 25.00	\$ 875.00	\$ 875.00	\$ (288.75)
Y	LINE CONNECTION - Zone 2	20	\$ 25.25	\$ 505.00	\$ 606.00	\$ 25.00	\$ 500.00	\$ 500.00	\$ (1,005.00)
C	LINE CONNECTION	15	\$ 15.00	\$ 225.00	\$ 225.00	\$ 25.00	\$ 375.00	\$ 375.00	\$ 150.00
Y	PREMISE VISIT	53	\$ 21.50	\$ 1,139.50	\$ 1,366.50	\$ 30.00	\$ 1,650.00	\$ 1,650.00	\$ 302.50
C	PREMISE VISIT	15	\$ 30.00	\$ 450.00	\$ 450.00	\$ 30.00	\$ 450.00	\$ 450.00	\$ -
OTHER RATES & CHARGES									
CUSTOM CALLING									
Y	RES. CALL-WAITING	8	\$ 5.00	\$ 40.00	\$ 480.00	\$ 5.00	\$ 40.00	\$ 480.00	\$ -
Y	BUS. CALL-WAITING	0	\$ 7.50	\$ -	\$ -	\$ 7.50	\$ -	\$ -	\$ -
Y	RES. CALL-FORWARDING	7	\$ 2.74	\$ 19.18	\$ 230.16	\$ 2.74	\$ 19.18	\$ 230.16	\$ -
Y	BUS. CALL-FORWARDING	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
Y	RES. 3-WAY CALLING	5	\$ 3.52	\$ 17.60	\$ 211.20	\$ 3.52	\$ 17.60	\$ 211.20	\$ -
Y	BUS. 3-WAY CALLING	0	\$ 4.20	\$ -	\$ -	\$ 4.20	\$ -	\$ -	\$ -
Y	RES. 8-NO. SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS. 8-NO. SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES. 30-NO. SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS. 30-NO. SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES. FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	BUS. FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	RES. LINE-BUSY DIV.	0	\$ 1.85	\$ -	\$ -	\$ 1.85	\$ -	\$ -	\$ -
Y	BUS. LINE-BUSY DIV.	0	\$ 8.00	\$ -	\$ -	\$ 8.00	\$ -	\$ -	\$ -
Y	ANY-2(20% DISCOUNT)	1	\$ 6.19	\$ 6.19	\$ 74.28	\$ 6.19	\$ 6.19	\$ 74.28	\$ -
Y	ANY-3(25% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY-4(30% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY-5(35% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MISCELLANEOUS									
C	VACATION RATE	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
Y	VACATION RATE - Zone 1	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION RATE - Zone 2	2	\$ 7.85	\$ 15.70	\$ 188.40	\$ 10.50	\$ 21.00	\$ 252.00	\$ 63.60
Y	PAYPHONE-LOCAL	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PRIVATE LINE EXTENSION	8	\$ 7.00	\$ 56.00	\$ 672.00	\$ 7.00	\$ 56.00	\$ 672.00	\$ -
Y	INTRACHANGE 0/1 MILEAGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	OFF-PREMISE EXTENSION	2	\$ 4.00	\$ 8.00	\$ 96.00	\$ 4.00	\$ 8.00	\$ 96.00	\$ -
Y	EMERG. RPT - MAIN STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	EMERG. RPT - ADD'L STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	TRUNK HUNTING FEATURE	7	\$ 8.00	\$ 56.00	\$ 672.00	\$ 8.00	\$ 56.00	\$ 672.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Channel	1	\$ 6.50	\$ 6.50	\$ 78.00	\$ 6.50	\$ 6.50	\$ 78.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Trunk	6	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ -
Y	TRUNK TERMINATION	2	\$ 26.70	\$ 53.40	\$ 640.80	\$ 26.70	\$ 53.40	\$ 640.80	\$ -
Y	PHX NUMBER BLOCK	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	TRANS-4HL 4X-27%	4	\$ 2.29	\$ 9.16	\$ 109.92	\$ 2.29	\$ 9.16	\$ 109.92	\$ -
Y	INTRA-MILEAGE 20%	4	\$ 4.98	\$ 19.92	\$ 239.04	\$ 4.98	\$ 19.92	\$ 239.04	\$ -

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	1984 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
Y	TRANS-MILEAGE 41%	2	\$ 4.98	\$ 9.96	\$ 119.52	\$ 4.98	\$ 9.96	\$ 119.52	\$ -
Y	TRANS-MILEAGE 20%	2	\$ 1.70	\$ 3.40	\$ 40.80	\$ 1.70	\$ 3.40	\$ 40.80	\$ -
Y	61X-16 20%	1	\$ 13.42	\$ 13.42	\$ 161.04	\$ 13.42	\$ 161.04	\$ 161.04	\$ -
Y	58X-10 MILEAGE 27%	1	\$ 17.23	\$ 17.23	\$ 206.76	\$ 17.23	\$ 206.76	\$ 206.76	\$ -
Y	25X-85 MILEAGE 20%	1	\$ 8.71	\$ 8.71	\$ 104.52	\$ 8.71	\$ 104.52	\$ 104.52	\$ -
Y	25X-85 MILEAGE 41%	2	\$ 8.71	\$ 17.42	\$ 209.04	\$ 8.71	\$ 17.42	\$ 209.04	\$ -
Y	80X-10 MILEAGE 20%	1	\$ 17.60	\$ 17.60	\$ 211.20	\$ 17.60	\$ 211.20	\$ 211.20	\$ -
Y	56K SPECIAL ACCESS	0	\$ 188.50	\$ -	\$ -	\$ 188.50	\$ -	\$ -	\$ -
C	TOLL RESTRICTION - RES	3	\$ 2.00	\$ 6.00	\$ 72.00	\$ 2.00	\$ 6.00	\$ 72.00	\$ -
G	TOLL RESTRICTION - BUS	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	TOLL RESTRICTION - RES	4	\$ 2.00	\$ 8.00	\$ 96.00	\$ 2.00	\$ 8.00	\$ 96.00	\$ -
Y	TOLL RESTRICTION - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	ADDL BUS LIST	0	\$ 1.50	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
Y	ADDL BUS LIST	3	\$ 1.25	\$ 3.75	\$ 45.00	\$ 1.00	\$ 3.00	\$ 36.00	\$ (9.00)
G	ADDL RES LIST	9	\$ 1.00	\$ 9.00	\$ 108.00	\$ 1.00	\$ 9.00	\$ 108.00	\$ -
Y	ADDL RES LIST	8	\$ 1.00	\$ 8.00	\$ 96.00	\$ 1.00	\$ 8.00	\$ 96.00	\$ -
	ADDITIONAL INFORM	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	FOREIGN LISTING - RES	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	FOREIGN LISTING - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	FOREIGN LISTING - RES	1	\$ 1.00	\$ 1.00	\$ 12.00	\$ 2.00	\$ 2.00	\$ 24.00	\$ 12.00
Y	FOREIGN LISTING - BUS	0	\$ 1.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	NON-LIST	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	NON-LIST	9	\$ 1.20	\$ 10.80	\$ 129.60	\$ 2.00	\$ 18.00	\$ 216.00	\$ 86.40
C	NON-PUBLISHED	17	\$ 2.00	\$ 34.00	\$ 408.00	\$ 2.00	\$ 34.00	\$ 408.00	\$ -
Y	NON-PUBLISHED	30	\$ 1.00	\$ 45.00	\$ 540.00	\$ 2.00	\$ 60.00	\$ 720.00	\$ 180.00
G	PUBLIC-ACCESS LINE (PAL)	0	\$ 52.50	\$ -	\$ -	\$ 52.50	\$ -	\$ -	\$ -
Y	PUBLIC-ACCESS LINE (PAL)	0	\$ 60.50	\$ -	\$ -	\$ 60.50	\$ -	\$ -	\$ -
	CREDIT CARD SERVICE FEE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	DIRECTORY ASSISTANCE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	LINE LEASE + ACCESS CHARGE	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	INSTALL CHG	0	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	LINE LEASE + ACCESS CHARGE	2	\$ 8.25	\$ 16.50	\$ 198.00	\$ 21.00	\$ 42.00	\$ 504.00	\$ 306.00
Y	INSTALL CHG	0	\$ 22.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	EXTENSION CONTINUOUS	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
	MISC. REVENUE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	RETURN CHECK CHARGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G	INSIDE WIRE MAINTENANCE	0	\$ 1.00	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
	TOTAL			\$ 17,818.44	\$ 147,257.53		\$ 22,865.40	\$ 209,209.80	\$ 61,952.27
	YOUNG			\$ 12,674.84	\$ 94,609.33		\$ 16,725.80	\$ 146,259.60	\$ 51,650.27
	CASCABEL			\$ 5,126.00	\$ 52,437.00		\$ 6,122.00	\$ 62,739.00	\$ 10,302.00

SUMMARY OF LOCAL REVENUES

	Arizona	Young	Cascabel
CURRENT ANNUALIZED REVENUES (COL F)	147,258	94,609	52,437
- UNCOLLECTIBLE (W/S 2)	(1,279)	(284)	(995)
NET REVENUES	145,979	94,325	51,442
+ PROPOSED INCREASE (COL J)	61,952	51,650	10,302
UNCOLLECTABLE FACTOR	-0.87%	-0.30%	-1.90%
- UNCOLLECTIBLE (INCREMENTAL CHANGE)	(538)	(155)	(195)
NET INCREASE	61,411	51,495	10,107
	207,393	145,821	61,549
+ STATE USE	221,360	19,627	154,096
	428,752	165,448	215,644
+ FEDERAL USE (AMT FROM W/S 5)	313,187	221,824	91,363
TOTAL PROPOSED LOCAL REVENUES	741,939	387,272	307,007

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: H-3

Title: Changes In Representative Rate Schedules

Explanation:

Schedule(s) comparing present rate schedules
with proposed rate schedule.

See Attachment H-2

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: H-4

Title: Typical Bill Analysis

Explanation:

Schedule(s) comparing typical customer bills at varying consumption levels at present and proposed rates.

See Attachment H-2

See H-1

MIDVALE TELEPHONE EXCHANGE

Exhibit 2

Schedule: H-5

Title: Bill Count

Explanation:

Schedule(s) showing billing activity by block for
each rate Required For:

See Attachment H-2

MIDVALE TELEPHONE

Net Telephone Plant

MIDVALE TELEPHONE EXCHANGE

	ARIZONA	OREGON	IDAHO	MIDVALE CONSOLIDATED
NET TELEPHONE PLANT	1,912,144	973,450	6,751,019	9,636,613

MIDVALE TELEPHONE EXCHANGE
SUMMARY OF RATE BASE -TOTAL ARIZONA

A/C CODE	PLANT DESCRIPTION	BALANCE		AVERAGE		PROFORMA ADJUSTMENTS		AVERAGE		INTERSTATE		INTERSTATE % alloc.
		12/31/98	12/31/99	CPE/ADJ	NEW SWITCH	RATE CASE	PROFORMA	AFTER	PROFORMA	AFTER	PROFORMA	
Y	2111.54 LAND	20,207	20,207	20,207	500	20,207	7,250	20,207	12,957	35,88000%		
Y	2111.55 BUILDINGS	14,347	14,347	14,347	500	14,347	5,148	14,347	9,199	35,88000%		
C	2112.33 VEHICLES	29,645	29,645	29,645	500	29,645	10,637	29,645	19,008	35,88000%		
Y	2112.55 VEHICLES	24,900	24,900	24,900	500	24,900	7,886	21,980	14,094	35,88000%		
C	2116.33 OTHER WORK EQUIP	21,980	21,980	21,980	500	21,980	500	500	321	35,88000%		
Y	2116.55 OTHER WORK EQUIP	500	500	500	500	500	179	500	321	35,88000%		
Y	2122.55 OFFICE FURNITURE	500	500	500	500	500	2,501	6,971	4,470	35,88000%		
Y	2123.55 OFFICIAL STATION EQUIP	6,971	6,971	6,971	500	6,971	708	1,265	1,265	35,88000%		
C	2124.33 GEN PURCHASE COMPUTERS	1,972	1,972	1,972	500	1,972	128,313	172,859	44,546	74,23000%		
Y	2124.55 GEN PUR COMPUTERS	187,974	187,974	172,859	500	314,991	233,817	314,991	81,173	74,23000%		
C	2212.33 DIG. ELECT SWITCH	320,795	309,186	314,991	500	304,025	212,392	304,025	91,633	30,14000%		
Y	2212.55 DIG ELECT SWITCH	304,025	304,025	304,025	500	563,115	169,723	563,115	393,392	30,14000%		
C	2230.33 CENTRAL OFFICE TRAN	563,115	563,115	563,115	500	5,619	1,544	5,619	4,076	27,47000%		
Y	2230.55 CENTRAL OFFICE TRAN	560,420	560,420	560,420	500	766,075	210,441	766,075	555,634	27,47000%		
Y	2351.55 PUBLIC TELE EQUIP	5,619	5,619	5,619	500	800,504	219,898	800,504	580,606	27,47000%		
Y	2423.33 BURIED CABLE	766,075	766,075	766,075	500	3,047,710	3,022,810	1,089,679	1,933,131			
Y	2423.55 BURIED CABLE	800,504	800,504	800,504	500	1,721,255	638,268	1,721,255	1,082,988			
	TOTAL PLANT IN SERVICE	3,034,756	3,060,664	3,047,710		1,301,555	451,411	1,301,555	850,144			
	YOUNG	1,749,265	1,743,045	1,746,155								
	CASCABEL	1,285,491	1,317,619	1,301,555								
Y	2007.55 PLANT ACQ ADJ										36,31000%	
Y	2007.56 RES AMT. PLT ACQ										36,31000%	
C	3112.33 ACCUM DEP-VEHICLES	(13,545)	(13,545)	(13,545)		(13,545)	(4,918)	(13,545)	(8,627)		36,31000%	
Y	3112.55 ACCUM DEP-VEHICLES	(17,500)	(22,480)	(19,990)		(19,990)	(7,258)	(19,990)	(12,732)		36,31000%	
C	3116.33 ACCUM DEP- OTHER EQUIP	(21,980)	(21,980)	(21,980)		(21,980)	(7,923)	(21,980)	(13,897)		36,31000%	
Y	3121.55 ACCUM DEP-BLDG	(996)	(1,474)	(1,235)		(1,235)	(448)	(1,235)	(787)		36,31000%	
Y	3122.55 ACCUM DEP- F & FY	(243)	(314)	(279)		(279)	(101)	(279)	(177)		36,31000%	
C	3124.33 ACCUM DEP- COMPUTERS	(2,360)	(3,755)	(3,058)		(3,058)	(1,110)	(3,058)	(1,947)		36,31000%	
Y	3124.55 ACCUM DEP- COMPUTERS	(624)	(12,018)	(6,321)		(6,321)	(2,295)	(6,321)	(4,026)		36,31000%	
C	3212.33 ACCUM DEP-DIGITAL SWITCH	(79,223)	(106,672)	(92,948)		(92,948)	(33,749)	(92,948)	(59,198)		36,31000%	
Y	3212.55 ACCUM DEP-DIGITAL SWITCH	(85,708)	(18,622)	(52,165)		(52,165)	(18,941)	(52,165)	(33,224)		36,31000%	
C	3230.33 ACCUM DEP-CO TRANS	(88,879)	(97,115)	(92,997)		(92,997)	(33,767)	(92,997)	(59,230)		36,31000%	
Y	3230.55 ACCUM DEP-CO TRANS	(367,044)	(403,687)	(385,366)		(385,366)	(139,926)	(385,366)	(245,439)		36,31000%	
Y	3351.55 ACCUM DEP-PUBLIC	(5,619)	(5,619)	(5,619)		(5,619)	(2,040)	(5,619)	(3,579)		36,31000%	
C	3423.33 ACCUM DEP-BURIED CABLE	(133,447)	(165,366)	(149,407)		(149,407)	(54,250)	(149,407)	(95,157)		36,31000%	
Y	3423.55 ACCUM DEP-BURIED CABLE	(305,768)	(339,123)	(322,446)		(322,446)	(117,080)	(322,446)	(205,366)		36,31000%	
	RATE BASE	1,912,141	1,848,894	1,880,518		1,855,618	665,871	1,855,618	1,189,746			
	YOUNG	965,763	939,708	952,736		927,836	350,177	927,836	577,659			
	CASCABEL	946,378	909,186	927,782		927,782	315,694	927,782	612,088			

NOTES:

Y= YOUNG
C= CASCABEL

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

TOTAL ARIZONA	12/31/99 RECORDED	PROFORMA ADJUSTMENTS		RATE CASE EXP	RESULTS AFTER PROFORMA	INTERSTATE AFTER PROFORMA	INTRASTATE AFTER PROFORMA	INTERSTATE % alloc.
		FED USF YOUNG						
OPERATING REVENUES								
LOCAL SERVICES	146,183	-	-	-	146,183		146,183	
ENDUSER REVENUE (SLC)	26,186	-	-	-	26,186		26,186	
INTRASTATE ACCESS	377,001	-	-	-	377,001	417,490	(40,489)	
INTRASTATE ACCESS	186,820	-	-	-	186,820		186,820	
INTRASTATE USE	107,050	-	221,882	-	328,932		328,932	
STATE USE								
DIRECTORY REVENUE	1,759	-	-	-	1,759		1,759	
MISC.	22,081	-	-	-	22,081		22,081	
UNCOLLECTIBLE	(1,279)	-	-	-	(1,279)		(1,279)	
TOTAL REVENUE	865,801	-	221,882	-	1,087,683	417,490	670,193	
OPERATING EXPENSES								
PLANT SPECIFIC OPERATIONS	127,720	-	-	-	127,720	45,685	82,035	35.7700%
PLANT NON-SPECIFIC OPERATIONS	62,925	-	-	-	62,925	29,474	33,451	46.8400%
DEP. AND AMORT	186,282	-	-	-	186,282	75,128	111,154	40.3300%
CUSTOMER OPERATIONS	96,131	-	-	-	96,131	23,600	72,531	24.5500%
CORPORATE OPERATIONS	254,880	-	-	40,000	294,880	95,187	199,693	32.2800%
PROVISION FOR DEFERRED INCOME	-	-	-	-	-	-	-	36.4800%
OTHER OPERATING TAXES	81,282	-	-	-	81,282	29,652	51,630	36.4800%
INTEREST EXPENSE	25,107	-	-	-	25,107	9,159	15,948	36.4800%
TOTAL EXPENSES	834,327	-	-	40,000	874,327	307,885	566,442	
UTILITY OPERATING INCOME	31,474	-	221,882	(40,000)	213,356	109,605	103,751	

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

	PROFORMA ADJUSTMENTS		RATE CASE EXP	INTERSTATE AFTER PROFORMA	INTRASTATE AFTER PROFORMA	INTERSTATE % alloc.
	12/31/99 RECORDED	FED USF YOUNG				
TOTAL ARIZONA						
TOTAL YOUNG						
OPERATING REVENUES						
LOCAL SERVICES	84,685			84,685		
ENDUSER REVENUE (SLC)	17,634			17,634		
INTERSTATE ACCESS	228,423			255,796	(27,373)	
INTRASTATE ACCESS	81,252	221,882		81,252	221,882	
INTRASTATE USE	-					
STATE USE	1,030			1,030		
DIRECTORY REVENUE	9,969			9,969		
MISC.	(284)			(284)		
UNCOLLECTIBLE	422,709	221,882	-	255,796	388,795	
TOTAL REVENUE						
OPERATING EXPENSES						
PLANT SPECIFIC OPERATIONS	69,742			24,947	44,795	35.7700%
PLANT NON-SPECIFIC OPERATIONS	21,444			10,044	11,400	46.8400%
DEP. AND AMORT	115,785			46,696	69,089	40.3300%
CUSTOMER OPERATIONS	63,682		20,000	15,634	48,048	24.5500%
CORPORATE OPERATIONS	157,423			57,272	120,151	32.2800%
PROVISION FOR DEFERRED INCOME						36.4800%
OTHER OPERATING TAXES	47,009			17,149	29,860	36.4800%
INTEREST INCOME	9,573			3,492	6,081	36.4800%
TOTAL EXPENSES	484,658		20,000	175,234	329,424	
UTILITY OPERATING INCOME:	(61,949)	221,882	(20,000)	80,562	59,371	

MIDVALE TELEPHONE EXCHANGE
CALCULATION OF COST OF CAPITAL - TOTAL ARIZONA

<u>LINE</u>	(A) <u>DESCRIPTION</u>	(B) <u>CAPITAL AMOUNT</u>	(C) <u>CAPITAL RATIO</u>	(D) <u>COST</u>	(E) <u>WGT COST (C x D)</u>
	LONG TERM DEBT				
1	RTFC CONST. LOAN CASCABEL	200,631	0.0949	0.0610	0.0058
2	RUS 5% CASCABEL	268,586	0.1271	0.0500	0.0064
3	OTHER	37,695	0.0178	0.0600	0.0011
4	TOTAL DEBT	<u>506,912</u>	<u>0.2398</u>		<u>0.0132</u>
5	EQUITY (CASCABEL & YOUNG)	1,606,651	0.7602	0.1300	0.0988
6	OTHER	-	0.0000	-	0.0000
7	TOTAL EQUITY	<u>1,606,651</u>	<u>0.7602</u>		<u>0.0988</u>
8	TOTAL	<u><u>2,113,563</u></u>	<u><u>1.0000</u></u>		<u><u>0.1120</u></u>

MIDVALE TELEPHONE EXCHANGE
CALCULATION OF REVENUE DEFICIENCY - TOTAL ARIZONA

<u>LINE</u>	<u>DESCRIPTION</u>	ARIZONA	YOUNG	CASCABEL	
1	RATE BASE	1,189,746	577,659	612,088	1,189,746
2	RATE OF RETURN ON RATE BASE	0.1120	0.1120	0.1120	
3	REQUIRED RETURN (LN 1 x LN 2)	133,294	64,718	68,576	133,294
4	UTILITY OPERATING INCOME	103,751	59,371	44,380	103,751
5	RETURN DEFICIENCY (LN 3 - LN 4)	29,543	5,347	24,196	29,543
6	NET INCOME GROSS REVENUE CONVERSION RATIO				
6A	TOTAL GROSS REVENUE (W/S 2)	1.0000	1.0000	1.0000	
6B	LESS: UNCOLLECTIBLE (W/S 2 INTRASTATE)	0.0019	0.0007	0.0035	
6C	NET REVENUES (LN 6A - LN 6B)	0.9981	0.9993	0.9965	
6D	STATE INCOME TAX RATE (INPUT)	0.0800	0.0800	0.0800	
6E	STATE INCOME TAXES (LN 6C x LN 6D)	0.0798	0.0799	0.0797	
6F	FEDERAL INCOME TAX BASE (LN 6C - 6E)	0.9182	0.9193	0.9167	
6G	FEDERAL INCOME TAX RATE (INPUT)	0.3500	0.3500	0.3500	
6H	FEDERAL INCOME TAXES (LN 6F x LN 6G)	0.3214	0.3218	0.3209	
6I	NET OPERATING REVENUE (LN 6F - LN 6H)	0.5969	0.5976	0.5959	
6J	NET INC TO GROSS REVENUE MULT (1/ LN 6i)	1.6754	1.6735	1.6782	
6K	GROSS UP REVENUE (EQUITY ONLY)	79,413	38,445	41,021	
7	REVENUE INCREASE REQUIRED (LN 5 + LN 6K)	108,955	43,792	65,217	
	PERCENT INCREASE	16.3%	11.3%	23.2%	

MIDVALE TELEPHONE EXCHANGE

SOURCE REVENUE

TOTAL ARIZONA

	BEFORE PROPOSED RATES	CHANGES	AFTER PROPOSED RATES
LOCAL SERVICE	146,183	61,210	207,393
INTERSTATE USF	328,932	-	328,932
STATE USF	-	147,567	147,567
INTRASTATE ACCESS	186,820	(99,394)	87,426
MISCELLANEOUS	23,840	-	23,840
UNCOLLECTIBLE	(1,279)	(538)	(1,817)
	<hr/>	<hr/>	<hr/>
TOTAL	684,496	108,844	793,340
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TOTAL YOUNG

	BEFORE PROPOSED RATES	CHANGES	AFTER PROPOSED RATES
LOCAL SERVICE	84,685	61,136	145,821
INTERSTATE USF	221,882	-	221,882
STATE USF	-	17,238	17,238
INTRASTATE ACCESS	81,252	(34,427)	46,825
MISCELLANEOUS	10,999	-	10,999
UNCOLLECTIBLE	(284)	(155)	(439)
	<hr/>	<hr/>	<hr/>
TOTAL	398,534	43,792	442,326
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

MIDVALE TELEPHONE EXCHANGE

SOURCE REVENUE

TOTAL CASCABEL

	BEFORE PROPOSED RATES	CHANGES	AFTER PROPOSED RATES
LOCAL SERVICE	61,498	51	61,549
INTERSTATE USF	107,050	-	107,050
STATE USF	-	130,329	130,329
INTRASTATE ACCESS	105,568	(64,967)	40,601
MISCELLANEOUS	12,841	-	12,841
UNCOLLECTIBLE	(995)	(195)	(1,190)
	<hr/>	<hr/>	<hr/>
TOTAL	285,962	65,217	351,179

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
LOCAL									
Y	RESIDENCE- R1	363	\$ 12.40	\$ 4,501.20	\$ 54,014.40	\$ 24.00	\$ 8,712.00	\$ 104,544.00	\$ 50,529.60
Y	RESIDENCE- Zone 1 Charge	0	\$ -1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	RESIDENCE- Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	RESIDENCE- Flat 2 Party	4	\$ 10.76	\$ 43.04	\$ 516.48	\$ 24.00	\$ 96.00	\$ 1,152.00	\$ 635.52
Y	BUSINESS - B1	58	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ -
Y	BUSINESS- Zone 1 Charge	0	\$ -1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	BUSINESS- Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	BUSINESS - pay	3	\$ 21.00	\$ 63.00	\$ 756.00	\$ 21.00	\$ 63.00	\$ 756.00	\$ -
Y	BUSINESS - Flat 4 Party	1	\$ 24.20	\$ 24.20	\$ 290.40	\$ 32.00	\$ 32.00	\$ 384.00	\$ 93.60
Y	KEY SYSTEM	0	\$ 32.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX - Zone 1	0	\$ 45.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX - Zone 2	2	\$ 44.70	\$ 89.40	\$ 1,072.80	\$ 32.00	\$ 64.00	\$ 768.00	\$ (304.80)
Y	PAL	0	\$ 69.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	Foreign Exchange	1	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ -
Y	VACATION - Zone 1 Charge	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION - Zone 2 Charge	2	\$ -7.85	\$ -15.70	\$ -188.40	\$ -10.50	\$ -21.00	\$ -252.00	\$ -63.60
C	RESIDENCE- R1	172	\$ 21.00	\$ 3,612.00	\$ 43,344.00	\$ 24.00	\$ 4,128.00	\$ 49,536.00	\$ 6,192.00
C	BUSINESS - B1	30	\$ 21.00	\$ 630.00	\$ 7,560.00	\$ 32.00	\$ 960.00	\$ 11,520.00	\$ 3,960.00
C	BUSINESS - pay	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	KEY SYSTEM	0	\$ 30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PBX	0	\$ 30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PAL	0	\$ 52.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	VACATION	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
NON-RECURRING CHARGES									
Y	SERVICE ORDER	55	\$ 10.00	\$ 550.00	\$ 550.00	\$ 10.00	\$ 550.00	\$ 550.00	\$ -
C	SERVICE ORDER	15	\$ 10.00	\$ 150.00	\$ 150.00	\$ 10.00	\$ 150.00	\$ 150.00	\$ -
Y	LINE CONNECTION	55	\$ 12.00	\$ 660.00	\$ 660.00	\$ 25.00	\$ 1,375.00	\$ 1,375.00	\$ 715.00
Y	LINE CONNECTION - Zone 1	35	\$ 33.25	\$ 1,163.75	\$ 1,163.75	\$ 25.00	\$ 875.00	\$ 875.00	\$ (288.75)
Y	LINE CONNECTION - Zone 2	20	\$ 75.25	\$ 1,505.00	\$ 1,505.00	\$ 25.00	\$ 500.00	\$ 500.00	\$ (1,005.00)
C	LINE CONNECTION	15	\$ 15.00	\$ 225.00	\$ 225.00	\$ 25.00	\$ 375.00	\$ 375.00	\$ 150.00
Y	PREMISE VISIT	55	\$ 24.50	\$ 1,347.50	\$ 1,347.50	\$ 30.00	\$ 1,650.00	\$ 1,650.00	\$ 302.50
C	PREMISE VISIT	15	\$ 30.00	\$ 450.00	\$ 450.00	\$ 30.00	\$ 450.00	\$ 450.00	\$ -
OTHER RATES & CHARGES									
CUSTOM CALLING									
Y	RES. CALL WAITING	8	\$ 5.00	\$ 40.00	\$ 480.00	\$ 5.00	\$ 40.00	\$ 480.00	\$ -
Y	BUS. CALL WAITING	0	\$ 7.50	\$ -	\$ -	\$ 7.50	\$ -	\$ -	\$ -
Y	RES. CALL FORWARDING	7	\$ 2.74	\$ 19.18	\$ 230.16	\$ 2.74	\$ 19.18	\$ 230.16	\$ -
Y	BUS CALL FORWARDING	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
Y	RES 3-WAY CALLING	5	\$ 3.52	\$ 17.60	\$ 211.20	\$ 3.52	\$ 17.60	\$ 211.20	\$ -
Y	BUS 3-WAY CALLING	0	\$ 4.20	\$ -	\$ -	\$ 4.20	\$ -	\$ -	\$ -
Y	RES. 8 NO. SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS., 8 NO. SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES. 30 NO. SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS., 30 NO. SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES. FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	BUS. FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	RES. LINE BUSY DIV.	0	\$ 1.85	\$ -	\$ -	\$ 1.85	\$ -	\$ -	\$ -
Y	BUS. LINE BUSY DIV.	0	\$ 8.00	\$ -	\$ -	\$ 8.00	\$ -	\$ -	\$ -
Y	ANY 2 (20% DISCOUNT)	1	\$ 6.19	\$ 6.19	\$ 74.28	\$ 6.19	\$ 6.19	\$ 74.28	\$ -
Y	ANY 3 (25% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY 4 (30% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY 5 (35% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MISCELLANEOUS									
C	VACATION RATE	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
Y	VACATION RATE - Zone 1	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION RATE - Zone 2	2	\$ -7.85	\$ -15.70	\$ -188.40	\$ -10.50	\$ -21.00	\$ -252.00	\$ -63.60
Y	PAYPHONE-LOCAL	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PRIVATE LINE EXTENSION	8	\$ 7.00	\$ 56.00	\$ 672.00	\$ 7.00	\$ 56.00	\$ 672.00	\$ -
Y	INTRACHANGE P/L MILEAGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	OFF-PREMISE EXTENSION	2	\$ 4.00	\$ 8.00	\$ 96.00	\$ 4.00	\$ 8.00	\$ 96.00	\$ -
Y	EMERG. RPT -MAIN STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	EMERG. RPT-ADDL STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	TRUNK HUNTING FEATURE	2	\$ 8.00	\$ 16.00	\$ 192.00	\$ 8.00	\$ 16.00	\$ 192.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Channel	1	\$ 6.50	\$ 6.50	\$ 78.00	\$ 6.50	\$ 6.50	\$ 78.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Trunk	6	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ -
Y	TRUNK TERMINATION	2	\$ 26.70	\$ 53.40	\$ 640.80	\$ 26.70	\$ 53.40	\$ 640.80	\$ -
Y	PBX NUMBER BLOCK	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	TRANS MIL FIX 27%	1	\$ 2.29	\$ 2.29	\$ 27.48	\$ 2.29	\$ 2.29	\$ 27.48	\$ -
Y	FIXED MILEAGE 20%	1	\$ 4.98	\$ 4.98	\$ 59.76	\$ 4.98	\$ 4.98	\$ 59.76	\$ -

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
Y	TRANS-MIL-FIX 41%	2	\$ 4.98	\$ 9.96	\$ 119.52	\$ 4.98	\$ 9.96	\$ 119.52	\$ -
Y	TRANS-MIL-FIX 20%	2	\$ 1.70	\$ 3.40	\$ 40.80	\$ 1.70	\$ 3.40	\$ 40.80	\$ -
Y	61X1.10-20%	1	\$ 13.42	\$ 13.42	\$ 161.04	\$ 13.42	\$ 13.42	\$ 161.04	\$ -
Y	58X1.10-MILEAGE 27%	1	\$ 17.23	\$ 17.23	\$ 206.76	\$ 17.23	\$ 17.23	\$ 206.76	\$ -
Y	25X.85-MILEAGE 20%	1	\$ 8.71	\$ 8.71	\$ 104.52	\$ 8.71	\$ 8.71	\$ 104.52	\$ -
Y	25X.85-MILEAGE 41%	2	\$ 8.71	\$ 17.42	\$ 209.04	\$ 8.71	\$ 17.42	\$ 209.04	\$ -
Y	80X1.10-MILEAGE 20%	1	\$ 17.60	\$ 17.60	\$ 211.20	\$ 17.60	\$ 17.60	\$ 211.20	\$ -
Y	56K SPECIAL ACCESS	0	\$ 188.50	\$ -	\$ -	\$ 188.50	\$ -	\$ -	\$ -
C	TOLL RESTRICTION - RES	3	\$ 2.00	\$ 6.00	\$ 72.00	\$ 2.00	\$ 6.00	\$ 72.00	\$ -
C	TOLL RESTRICTION - BUS	0	\$ 3.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	TOLL RESTRICTION - RES	4	\$ 2.00	\$ 8.00	\$ 96.00	\$ 2.00	\$ 8.00	\$ 96.00	\$ -
Y	TOLL RESTRICTION - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	ADD'L BUS LIST	0	\$ 1.50	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
Y	ADD'L BUS LIST	3	\$ 1.25	\$ 3.75	\$ 45.00	\$ 1.00	\$ 3.00	\$ 36.00	\$ (9.00)
C	ADD'L RES LIST	9	\$ 1.00	\$ 9.00	\$ 108.00	\$ 1.00	\$ 9.00	\$ 108.00	\$ -
Y	ADD'L RES LIST	8	\$ 1.00	\$ 8.00	\$ 96.00	\$ 1.00	\$ 8.00	\$ 96.00	\$ -
C	ADDITIONAL INFORM	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	FOREIGN LISTING - RES	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	FOREIGN LISTING - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	FOREIGN LISTING - RES	1	\$ 1.00	\$ 1.00	\$ 12.00	\$ 2.00	\$ 2.00	\$ 24.00	\$ 12.00
Y	FOREIGN LISTING - BUS	0	\$ 1.25	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	NON-LIST	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	NON-LIST	9	\$ 1.20	\$ 10.80	\$ 129.60	\$ 2.00	\$ 18.00	\$ 216.00	\$ 86.40
C	NON- PUBLISHED	17	\$ 2.00	\$ 34.00	\$ 408.00	\$ 2.00	\$ 34.00	\$ 408.00	\$ -
Y	NON- PUBLISHED	30	\$ 1.50	\$ 45.00	\$ 540.00	\$ 2.00	\$ 60.00	\$ 720.00	\$ 180.00
C	PUBLIC ACCESS LINE (PAL)	0	\$ 52.50	\$ -	\$ -	\$ 52.50	\$ -	\$ -	\$ -
Y	PUBLIC ACCESS LINE (PAL)	0	\$ 69.50	\$ -	\$ -	\$ 69.50	\$ -	\$ -	\$ -
C	CREDIT CARD SERVICE FEE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	DIRECTORY ASSISTANCE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	LINE LEASE + ACCESS CHARGE	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	INSTALL CHG	0	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	LINE LEASE + ACCESS CHARGE	2	\$ 8.25	\$ 16.50	\$ 198.00	\$ 21.00	\$ 42.00	\$ 504.00	\$ 306.00
Y	INSTALL CHG	0	\$ 22.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	EXTENSION-CONTINUOUS	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
C	MISC. REVENUE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	RETURN CHECK CHARGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	INSIDE WIRE MAINTENANCE	0	\$ 1.00	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
TOTAL				\$ 17,818.44	\$ 147,257.53		\$ 22,865.40	\$ 209,209.80	\$ 61,952.27
YOUNG				\$ 12,674.84	\$ 94,609.33		\$ 16,725.80	\$ 146,259.60	\$ 51,650.27
CASCABEL				\$ 5,126.00	\$ 52,437.00		\$ 6,122.00	\$ 62,739.00	\$ 10,302.00

SUMMARY OF LOCAL REVENUES	Arizona	Young	Cascabel
CURRENT ANNUALIZED REVENUES (COL F)	147,258	94,609	52,437
- UNCOLLECTIBLE (W/S 2)	(1,279)	(284)	(995)
NET REVENUES	145,979	94,325	51,442
+ PROPOSED INCREASE (COL J)	61,952	51,650	10,302
UNCOLLECTABLE FACTOR	-0.87%	-0.30%	-1.90%
- UNCOLLECTIBLE (INCREMENTAL CHANGE)	(538)	(155)	(195)
NET INCREASE	61,414	51,495	10,107
	207,393	145,821	61,549
+ STATE USF	147,567	17,238	130,329
	354,960	163,059	191,877
+ FEDERAL USF (AMT FROM W/S 5)	328,932	221,882	107,050
TOTAL PROPOSED LOCAL REVENUES	683,892	384,941	298,927

MIDVALE TELEPHONE EXCHANGE
STATE UNIVERSAL SERVICE FUNDING REQUIRED

TOTAL ARIZONA	<u>PROPOSED REVENUE</u>	<u>STATE USF FUNDING REQUIRED</u>
LOCAL	61,186	
INTERSTATE USF		
INTRASTATE ACCESS	(99,394)	
MISC+UNCOLLECT	(351)	
TOTAL	<u>(38,559)</u>	<u>147,567</u>

TOTAL YOUNG	<u>PROPOSED REVENUE</u>	<u>STATE USF FUNDING REQUIRED</u>
LOCAL	61,136	
INTERSTATE USF		
INTRASTATE ACCESS	(34,427)	
MISC+UNCOLLECT	(155)	
TOTAL	<u>26,553</u>	<u>17,238</u>

TOTAL CASCABEL	<u>PROPOSED REVENUE</u>	<u>STATE USF FUNDING REQUIRED</u>
LOCAL	51	
INTRASTATE ACCESS	(64,967)	
MISC+UNCOLLECT	(195)	
TOTAL	<u>(65,112)</u>	<u>130,329</u>

MIDVALE TELEPHONE EXCHANGE
 STATE UNIVERSAL SERVICE FUNDING REQUIRED

CURRENT ACCESS RATES: Arizona Total

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	910227	0.0606	55,202		
CCL- TERM	838286	0.0582	48,778		
LOCAL TRANSPORT	1748513	0.0201	35,160	average	0.11141
LOCAL SWITCHING	1748513	0.0201	35,160		
BILLING & COLLECTING	89174	0.2300	20,510		
			194,810		

PROPOSED ACCESS RATES: Arizona Total

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	910227	0.0300	27,307		
CCL- TERM	838286	0.0300	25,149		
LOCAL TRANSPORT	1748513	0.0100	17,485	average	0.06173
LOCAL SWITCHING	1748513	0.0100	17,485		
BILLING & COLLECTING	89174	0.2300	20,510		
SUB TOTAL			107,936		

CURRENT ACCESS RATES: Young

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	450508	0.0460	20,723		
CCL- TERM	485985	0.0460	22,355		
LOCAL TRANSPORT	936493	0.0150	14,047	average	0.08773
LOCAL SWITCHING	936493	0.0150	14,047		
BILLING & COLLECTING	47761	0.2300	10,985		
B&C factor	0.051				
			82,159		

PROPOSED ACCESS RATES: Young

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	450508	0.0300	13,515		
CCL- TERM	485985	0.0300	14,580		
LOCAL TRANSPORT	936493	0.0100	9,365	average	0.06173
LOCAL SWITCHING	936493	0.0100	9,365		
BILLING & COLLECTING	47761	0.2300	10,985		
B&C factor	0.051				
			57,810		

CURRENT ACCESS RATES: Cascabel

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	459719	0.0750	34,479		
CCL- TERM	352301	0.0750	26,423		
LOCAL TRANSPORT	812020	0.0260	21,113	average	0.13873
LOCAL SWITCHING	812020	0.0260	21,113		
BILLING & COLLECTING	41413	0.2300	9,525		
B&C factor	0.051				
			112,652		

PROPOSED ACCESS RATES: Cascabel

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	459719	0.0300	13,792		
CCL- TERM	352301	0.0300	10,569		
LOCAL TRANSPORT	812020	0.0100	8,120	average	0.06173
LOCAL SWITCHING	812020	0.0100	8,120		
BILLING & COLLECTING	41413	0.2300	9,525		
B&C factor	0.051				
			50,126		

MIDVALE TELEPHONE

Net Telephone Plant

	MIDVALE TELEPHONE EXCHANGE			
	ARIZONA	OREGON	IDAHO	MIDVALE CONSOLIDATED
NET TELEPHONE PLANT	1,912,144	973,450	6,751,019	9,636,613

MIDVALE TELEPHONE EXCHANGE
SUMMARY OF RATE BASE - TOTAL ARIZONA

A/C CODE	PLANT DESCRIPTION	BALANCE		AVERAGE		PROFORMA ADJUSTMENTS		AVERAGE		INTERSTATE AFTER PROFORMA		INTERSTATE AFTER PROFORMA		INTERSTATE % alloc.
		12/31/98	12/31/99	12/31/98	12/31/99	CPE/ADJ	NEW SWITCH	EAS	PROFORMA	PROFORMA	PROFORMA	PROFORMA		
Y	2111.54 LAND	20,207	20,207	20,207	20,207				20,207	7,250	12,957	7,250	12,957	35.8800%
Y	2111.55 BUILDINGS	14,347	14,347	14,347	14,347				14,347	5,148	9,199	5,148	9,199	35.8800%
Y	2112.33 VEHICLES	29,645	29,645	29,645	29,645				29,645	10,637	19,008	10,637	19,008	35.8800%
C	2112.33 VEHICLES	24,900	24,900	24,900	24,900				24,900	8,934	15,966	8,934	15,966	35.8800%
Y	2116.33 OTHER WORK EQUIP	21,980	21,980	21,980	21,980				21,980	7,886	14,094	7,886	14,094	35.8800%
C	2116.55 OTHER WORK EQUIP	500	500	500	500				500	179	321	179	321	35.8800%
Y	2122.55 OFFICE FURNITURE	6,971	6,971	6,971	6,971				6,971	2,501	4,470	2,501	4,470	35.8800%
Y	2123.55 OFFICIAL STATION EQUIP	1,972	1,972	1,972	1,972				1,972	708	1,265	708	1,265	35.8800%
Y	2124.33 GEN PURCHASE COMPUTERS	157,744	187,974	172,859	172,859				172,859	128,313	44,546	128,313	44,546	74.2300%
Y	2124.55 GEN PUR COMPUTERS	320,795	309,186	314,991	314,991				314,991	233,817	81,173	233,817	81,173	74.2300%
C	2212.33 DIG. ELECT SWITCH	303,076	304,974	304,025	304,025				304,025	91,633	212,392	91,633	212,392	30.1400%
Y	2212.55 DIG ELECT SWITCH	560,420	565,809	563,115	563,115				563,115	169,723	393,392	169,723	393,392	30.1400%
C	2230.33 CENTRAL OFFICE TRAN	766,075	766,075	766,075	766,075				766,075	5,619	4,076	5,619	4,076	27.4700%
Y	2351.55 PUBLIC TELE EQUIP	800,504	800,504	800,504	800,504				800,504	210,441	555,634	210,441	555,634	27.4700%
Y	2423.33 BURIED CABLE									219,898	580,606	219,898	580,606	27.4700%
Y	2423.55 BURIED CABLE													
TOTAL PLANT IN SERVICE		3,034,756	3,060,664	3,047,710	3,047,710				3,047,710	1,098,613	1,949,097	1,098,613	1,949,097	
YOUNG		1,749,265	1,743,045	1,746,155	1,746,155				1,746,155	647,202	1,098,954	647,202	1,098,954	
CASCABEL		1,285,491	1,317,619	1,301,555	1,301,555				1,301,555	451,411	850,144	451,411	850,144	
Y	2007.55 PLNT ACQ ADJ													
Y	2007.56 RES AMT. PLT. ACC													
C	3112.33 ACCUM DEP-VEHICLES	(13,545)	(13,545)	(13,545)	(13,545)				(13,545)	(4,918)	(8,627)	(4,918)	(8,627)	36.3100%
C	3112.55 ACCUM DEP-VEHICLES	(17,500)	(22,480)	(19,990)	(19,990)				(19,990)	(7,258)	(12,732)	(7,258)	(12,732)	36.3100%
Y	3116.33 ACCUM DEP-OTHER EQUIP	(21,659)	(21,980)	(21,820)	(21,820)				(21,820)	(7,923)	(13,897)	(7,923)	(13,897)	36.3100%
C	3121.55 ACCUM DEP-BLDG	(996)	(1,474)	(1,235)	(1,235)				(1,235)	(448)	(787)	(448)	(787)	36.3100%
Y	3122.55 ACCUM DEP- F & FY	(2,360)	(3,14)	(279)	(279)				(279)	(101)	(177)	(101)	(177)	36.3100%
Y	3124.33 ACCUM DEP- COMPUTERS	(624)	(3,755)	(3,058)	(3,058)				(3,058)	(1,110)	(1,947)	(1,110)	(1,947)	36.3100%
C	3124.55 ACCUM DEP- COMPUTERS	(79,223)	(12,018)	(6,321)	(6,321)				(6,321)	(2,295)	(4,026)	(2,295)	(4,026)	36.3100%
C	3212.33 ACCUM DEP-DIGITAL SWITCH	(85,708)	(106,672)	(92,948)	(92,948)				(92,948)	(33,749)	(59,198)	(33,749)	(59,198)	36.3100%
Y	3230.33 ACCUM DEP-CO TRANS	(88,879)	(97,115)	(92,997)	(92,997)				(92,997)	(33,767)	(59,230)	(33,767)	(59,230)	36.3100%
C	3230.55 ACCUM DEP-CO TRANS	(367,044)	(403,687)	(385,366)	(385,366)				(385,366)	(139,926)	(245,439)	(139,926)	(245,439)	36.3100%
Y	3351.55 ACCUM DEP-PUBLIC	(133,447)	(165,366)	(149,407)	(149,407)				(149,407)	(56,19)	(85,579)	(56,19)	(85,579)	36.3100%
C	3423.33 ACCUM DEP-BURIED CABLE	(305,768)	(338,123)	(322,446)	(322,446)				(322,446)	(117,080)	(205,366)	(117,080)	(205,366)	36.3100%
Y	3423.55 ACCUM DEP-BURIED CABLE													
RATE BASE		1,912,141	1,848,894	1,880,518	1,880,518				1,880,518	674,805	1,205,712	674,805	1,205,712	
YOUNG		965,763	939,708	952,736	952,736				952,736	359,111	593,625	359,111	593,625	
CASCABEL		946,378	909,186	927,782	927,782				927,782	315,694	612,088	315,694	612,088	

Y= YOUNG
C= CASCABEL

NOTES:

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

TOTAL ARIZONA	12/31/99 RECORDED	PROFORMA ADJUSTMENTS			RESULTS AFTER PROFORMA	INTERSTATE AFTER PROFORMA	INTRASTATE AFTER PROFORMA	INTERSTATE % alloc.
		FED USF YOUNG	EAS	RATE CASE EXP				
<u>OPERATING REVENUES</u>								
LOCAL SERVICES	146,183	-	-	-	146,183	146,183		
ENDUSER REVENUE (SLC)	26,186	-	-	-	26,186	26,186		
INTERSTATE ACCESS	377,001	-	-	-	377,001	(40,489)		
INTRASTATE ACCESS	186,820	-	(17,190)	-	169,630	169,630		
INTERSTATE USE	107,050	-	(15,687)	-	313,245	313,245		
STATE USE	1,759	-	-	-	1,759	1,759		
DIRECTORY REVENUE	22,081	-	-	-	22,081	22,081		
MISC.	(1,279)	-	-	-	(1,279)	(1,279)		
UNCOLLECTIBLE	865,801	-	-	-	1,054,806	417,490		
TOTAL REVENUE		221,882	(32,877)	-		637,316		
<u>OPERATING EXPENSES</u>								
PLANT SPECIFIC OPERATIONS	127,720	-	-	-	127,720	45,685	35.7700%	82,035
PLANT NON-SPECIFIC OPERATIONS	62,925	-	-	-	62,925	29,474	46.8400%	33,451
DEP. AND AMORT	186,282	-	-	-	186,282	75,128	40.3300%	111,154
CUSTOMER OPERATIONS	96,131	-	-	-	96,131	23,600	24.5500%	72,531
CORPORATE OPERATIONS	254,880	-	-	40,000	294,880	93,187	32.2800%	199,693
PROVISION FOR DEFERRED INCOME	-	-	-	-	-	-	36.4800%	-
OTHER OPERATING TAXES	81,282	-	-	-	81,282	29,652	36.4800%	51,630
INTEREST EXPENSE	25,107	-	-	-	25,107	9,159	36.4800%	15,948
TOTAL EXPENSES	834,327	-	-	40,000	874,327	307,885		566,442
UTILITY OPERATING INCOME	31,474	221,882	(32,877)	(40,000)	180,479	109,605		70,874

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

	PROFORMA ADJUSTMENTS			RATE CASE EXP	INTERSTATE % alloc.
	12/31/99 RECORDED	FED USF YOUNG	EAS		
TOTAL ARIZONA					
TOTAL YOUNG					
OPERATING REVENUES					
LOCAL SERVICES	84,685				84,685
ENDUSER REVENUE (SLC)	17,634				17,634
INTERSTATE ACCESS	228,423			255,796	(27,373)
INTRASTATE ACCESS	81,252	221,882			81,252
INTRASTATE USE					221,882
STATE USF	1,030				1,030
DIRECTORY REVENUE	9,969				9,969
MISC.	(284)				(284)
UNCOLLECTIBLE					
TOTAL REVENUE	422,709	221,882	-	255,796	388,795
OPERATING EXPENSES					
PLANT SPECIFIC OPERATIONS	69,742			24,947	44,795
PLANT NON-SPECIFIC OPERATIONS	21,444			10,044	11,400
DEP. AND AMORT	115,785			46,696	69,089
CUSTOMER OPERATIONS	63,682			15,634	48,048
CORPORATE OPERATIONS	157,423		20,000	57,272	120,151
PROVISION FOR DEFERRED INCOME					
OTHER OPERATING TAXES	47,009			17,149	29,860
INTEREST INCOME	9,573			3,492	6,081
TOTAL EXPENSES	484,658		20,000	175,234	329,424
UTILITY OPERATING INCOME					
	(61,949)	221,882	-	80,562	59,371

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

	PROFORMA ADJUSTMENTS		RATE CASE EXP	RESULTS AFTER		INTRASTATE AFTER		INTERSTATE % alloc.
	RECORDED 12/31/99	FED USF YOUNG		PROFORMA	PROFORMA	PROFORMA	PROFORMA	
TOTAL ARIZONA								
CASCABEL, AZ								
OPERATING REVENUES								
LOCAL SERVICES	61,498			61,498	61,498			
END USER REVENUE (SLC)	8,552			8,552	8,552			
INTERSTATE ACCESS	148,578			148,578	161,694	(13,116)		
INTRASTATE ACCESS	105,568		(17,190)	88,378	88,378			
INTERSTATE USF	107,050		(15,687)	91,363	91,363			
STATE USF	729			729	729			
DIRECTORY REVENUE	12,112			12,112	12,112			
MISC.	(995)			(995)	(995)			
UNCOLLECTIBLE	443,092		(32,877)	410,215	161,694	248,521		
TOTAL REVENUE								
OPERATING EXPENSES								
PLANT SPECIFIC OPERATIONS	57,978			57,978	20,739	37,239		35.7700%
PLANT NON-SPECIFIC OPERATIONS	41,481			41,481	19,430	22,051		46.8400%
DEP. AND AMORT	70,497			70,497	28,431	42,066		40.3300%
CUSTOMER OPERATIONS	32,449			32,449	7,966	24,483		24.5000%
CORPORATE OPERATIONS	97,457		20,000	117,457	37,915	79,542		32.2800%
PROVISION FOR DEFERRED INCOME	34,273			34,273	12,503	21,770		36.4800%
OTHER OPERATING TAXES	15,534			15,534	5,667	9,867		36.4800%
INTEREST EXPENSE	349,669		20,000	369,669	132,651	237,018		36.4800%
TOTAL EXPENSES								
UTILITY OPERATING INCOME	93,423		(20,000)	40,546	29,043	11,503		

MIDVALE TELEPHONE EXCHANGE
 CALCULATION OF COST OF CAPITAL - TOTAL ARIZONA

<u>LINE</u>	(A) <u>DESCRIPTION</u>	(B) <u>CAPITAL</u> <u>AMOUNT</u>	(C) <u>CAPITAL</u> <u>RATIO</u>	(D) <u>COST</u>	(E) <u>WGT COST</u> <u>(C x D)</u>
	LONG TERM DEBT				
1	RTFC CONST. LOAN CASCABEL	200,631	0.0949	0.0610	0.0058
2	RUS 5% CASCABEL	268,586	0.1271	0.0500	0.0064
3	OTHER	37,695	0.0178	0.0600	0.0011
4	TOTAL DEBT	<u>506,912</u>	<u>0.2398</u>		<u>0.0132</u>
5	EQUITY (CASCABEL & YOUNG)	1,606,651	0.7602	0.1300	0.0988
6	OTHER	-	-	-	-
7	TOTAL EQUITY	<u>1,606,651</u>	<u>0.7602</u>		<u>0.0988</u>
8	TOTAL	<u>2,113,563</u>	<u>1.0000</u>		<u>0.1120</u>

MIDVALE TELEPHONE EXCHANGE
CALCULATION OF REVENUE DEFICIENCY - TOTAL ARIZONA

<u>LINE</u>	<u>DESCRIPTION</u>	ARIZONA	YOUNG	CASCABEL
1	RATE BASE	1,205,712	593,625	612,088
2	RATE OF RETURN ON RATE BASE	0.1120	0.1120	0.1120
3	REQUIRED RETURN (LN 1 x LN 2)	135,083	66,507	68,576
4	UTILITY OPERATING INCOME	70,874	59,371	11,503
5	RETURN DEFICIENCY (LN 3 - LN 4)	64,208	7,136	57,073
6	NET INCOME GROSS REVENUE CONVERSION			
	RATIO			
6A	TOTAL GROSS REVENUE (W/S 2)	1.0000	1.0000	1.0000
6B	LESS: UNCOLLECTIBLE (W/S 2 INTRASTATE)	0.0020	0.0007	0.0040
6C	NET REVENUES (LN 6A - LN 6B)	0.9980	0.9993	0.9960
6D	STATE INCOME TAX RATE (INPUT)	0.0800	0.0800	0.0800
6E	STATE INCOME TAXES (LN 6C x LN 6D)	0.0798	0.0799	0.0797
6F	FEDERAL INCOME TAX BASE (LN 6C - 6E)	0.9182	0.9193	0.9163
6G	FEDERAL INCOME TAX RATE (INPUT)	0.3500	0.3500	0.3500
6H	FEDERAL INCOME TAXES (LN 6F x LN 6G)	0.3214	0.3218	0.3207
6i	NET OPERATING REVENUE (LN 6F - LN 6H)	0.5968	0.5976	0.5956
6J	NET INC TO GROSS REVENUE MULT (1/LN 6i)	1.6756	1.6735	1.6790
6K	GROSS UP REVENUE (EQUITY ONLY)	80,498	39,507	41,069
7	REVENUE INCREASE REQUIRED (LN 5 + LN 6K)	144,706	46,643	98,141
	PERCENT INCREASE	22.7%	12.0%	39.5%

MIDVALE TELEPHONE EXCHANGE
SOURCE REVENUE

TOTAL ARIZONA

	BEFORE PROPOSED RATES	CHANGES	AFTER PROPOSED RATES
LOCAL SERVICE	146,183	61,210	207,393
INTERSTATE USF	313,245	-	313,245
STATE USF	-	225,567	225,567
INTRASTATE ACCESS	186,820	(141,618)	45,202
MISCELLANEOUS	23,840	-	23,840
UNCOLLECTIBLE	(1,279)	(538)	(1,817)
	<hr/>		
TOTAL	668,809	144,620	813,429
	<hr/> <hr/>		

TOTAL YOUNG

	BEFORE PROPOSED RATES	CHANGES	AFTER PROPOSED RATES
LOCAL SERVICE	84,685	61,136	145,821
INTERSTATE USF	221,882	-	221,882
STATE USF	-	44,313	44,313
INTRASTATE ACCESS	81,252	(58,651)	22,601
MISCELLANEOUS	10,999	-	10,999
UNCOLLECTIBLE	(284)	(155)	(439)
	<hr/>		
TOTAL	398,534	46,643	445,177
	<hr/> <hr/>		

MIDVALE TELEPHONE EXCHANGE

SOURCE REVENUE

TOTAL CASCABEL

	BEFORE PROPOSED RATES	CHANGES	AFTER PROPOSED RATES
LOCAL SERVICE	61,498	51	61,549
INTERSTATE USF	91,363	-	91,363
STATE USF	-	181,253	181,253
INTRASTATE ACCESS	105,568	(82,967)	22,601
MISCELLANEOUS	12,841	-	12,841
UNCOLLECTIBLE	(995)	(195)	(1,190)
	<hr/>	<hr/>	<hr/>
TOTAL	270,275	98,141	368,416
	<hr/>	<hr/>	<hr/>

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
LOCAL									
Y	RESIDENCE- R1	363	\$ 12.40	\$ 4,501.20	\$ 54,014.40	\$ 24.00	\$ 8,712.00	\$ 104,544.00	\$ 50,529.60
Y	RESIDENCE- Zone 1 Charge	0	\$ 1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	RESIDENCE- Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	RESIDENCE- Flat 2 Party	4	\$ 10.76	\$ 43.04	\$ 516.48	\$ 24.00	\$ 96.00	\$ 1,152.00	\$ 635.52
Y	BUSINESS - B1	58	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ -
Y	BUSINESS- Zone 1 Charge	0	\$ 1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	BUSINESS- Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	BUSINESS - pay	3	\$ 21.00	\$ 63.00	\$ 756.00	\$ 21.00	\$ 63.00	\$ 756.00	\$ -
Y	BUSINESS- Flat 4 Party	1	\$ 24.20	\$ 24.20	\$ 290.40	\$ 32.00	\$ 32.00	\$ 384.00	\$ 93.60
Y	KEY-SYSTEM	0	\$ 32.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX- Zone 1	0	\$ 45.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX- Zone 2	2	\$ 44.70	\$ 89.40	\$ 1,072.80	\$ 32.00	\$ 64.00	\$ 768.00	\$ (304.80)
Y	PAL	0	\$ 69.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	Foreign Exchange	1	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ -
Y	VACATION - Zone 1 Charge	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION - Zone 2 Charge	2	\$ 7.85	\$ 15.70	\$ 188.40	\$ 10.50	\$ 21.00	\$ 252.00	\$ 63.60
C	RESIDENCE- R1	172	\$ 21.00	\$ 3,612.00	\$ 43,344.00	\$ 24.00	\$ 4,128.00	\$ 49,536.00	\$ 6,192.00
C	BUSINESS - B1	30	\$ 21.00	\$ 630.00	\$ 7,560.00	\$ 32.00	\$ 960.00	\$ 11,520.00	\$ 3,960.00
C	BUSINESS - pay	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	KEY-SYSTEM	0	\$ 30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PBX	0	\$ 30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PAL	0	\$ 52.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	VACATION	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
NON-RECURRING CHARGES									
Y	SERVICE ORDER	55	\$ 10.00	\$ 550.00	\$ 550.00	\$ 10.00	\$ 550.00	\$ 550.00	\$ -
C	SERVICE ORDER	15	\$ 10.00	\$ 150.00	\$ 150.00	\$ 10.00	\$ 150.00	\$ 150.00	\$ -
Y	LINE CONNECTION	55	\$ 12.00	\$ 660.00	\$ 660.00	\$ 25.00	\$ 1,375.00	\$ 1,375.00	\$ 715.00
Y	LINE CONNECTION - Zone 1	35	\$ 33.25	\$ 1,163.75	\$ 1,163.75	\$ 25.00	\$ 875.00	\$ 875.00	\$ (288.75)
Y	LINE CONNECTION - Zone 2	20	\$ 75.25	\$ 1,505.00	\$ 1,505.00	\$ 25.00	\$ 500.00	\$ 500.00	\$ (1,005.00)
C	LINE CONNECTION	15	\$ 15.00	\$ 225.00	\$ 225.00	\$ 25.00	\$ 375.00	\$ 375.00	\$ 150.00
Y	PREMISE VISIT	55	\$ 24.50	\$ 1,347.50	\$ 1,347.50	\$ 30.00	\$ 1,650.00	\$ 1,650.00	\$ 302.50
C	PREMISE VISIT	15	\$ 30.00	\$ 450.00	\$ 450.00	\$ 30.00	\$ 450.00	\$ 450.00	\$ -
OTHER RATES & CHARGES									
CUSTOM CALLING									
Y	RES. CALL WAITING	8	\$ 5.00	\$ 40.00	\$ 480.00	\$ 5.00	\$ 40.00	\$ 480.00	\$ -
Y	BUS. CALL WAITING	0	\$ 7.50	\$ -	\$ -	\$ 7.50	\$ -	\$ -	\$ -
Y	RES. CALL FORWARDING	7	\$ 2.74	\$ 19.18	\$ 230.16	\$ 2.74	\$ 19.18	\$ 230.16	\$ -
Y	BUS. CALL FORWARDING	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
Y	RES. 3-WAY CALLING	5	\$ 3.52	\$ 17.60	\$ 211.20	\$ 3.52	\$ 17.60	\$ 211.20	\$ -
Y	BUS. 3-WAY CALLING	0	\$ 4.20	\$ -	\$ -	\$ 4.20	\$ -	\$ -	\$ -
Y	RES. 8 NO. SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS. 8 NO. SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES. 30 NO. SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS. 30 NO. SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES. FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	BUS. FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	RES. LINE BUSY DIV.	0	\$ 1.85	\$ -	\$ -	\$ 1.85	\$ -	\$ -	\$ -
Y	BUS. LINE BUSY DIV.	0	\$ 8.00	\$ -	\$ -	\$ 8.00	\$ -	\$ -	\$ -
Y	ANY 2 (20% DISCOUNT)	1	\$ 6.19	\$ 6.19	\$ 74.28	\$ 6.19	\$ 6.19	\$ 74.28	\$ -
Y	ANY 3 (25% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY 4 (30% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY 5 (35% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MISCELLANEOUS									
C	VACATION RATE	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
Y	VACATION RATE - Zone 1	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION RATE - Zone 2	2	\$ 7.85	\$ 15.70	\$ 188.40	\$ 10.50	\$ 21.00	\$ 252.00	\$ 63.60
Y	PAYPHONE-LOCAL	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PRIVATE LINE EXTENSION	8	\$ 7.00	\$ 56.00	\$ 672.00	\$ 7.00	\$ 56.00	\$ 672.00	\$ -
Y	INTRACHANGE P/L MILEAGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	OFF-PREMISE EXTENSION	2	\$ 4.00	\$ 8.00	\$ 96.00	\$ 4.00	\$ 8.00	\$ 96.00	\$ -
Y	EMERG. RPT -MAIN STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	EMERG. RPT-ADDL STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	TRUNK HUNTING FEATURE	2	\$ 8.00	\$ 16.00	\$ 192.00	\$ 8.00	\$ 16.00	\$ 192.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Channel	1	\$ 6.50	\$ 6.50	\$ 78.00	\$ 6.50	\$ 6.50	\$ 78.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Trunk	6	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ -
Y	TRUNK TERMINATION	2	\$ 26.70	\$ 53.40	\$ 640.80	\$ 26.70	\$ 53.40	\$ 640.80	\$ -
Y	PBX NUMBER BLOCK	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	TRANS-MIL-FIX-27%	1	\$ 2.29	\$ 2.29	\$ 27.48	\$ 2.29	\$ 2.29	\$ 27.48	\$ -
Y	FIXED MILEAGE-20%	1	\$ 4.98	\$ 4.98	\$ 59.76	\$ 4.98	\$ 4.98	\$ 59.76	\$ -

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
Y	TRANS MIL FIX 41%	2	\$ 4.98	\$ 9.96	\$ 119.52	\$ 4.98	\$ 9.96	\$ 119.52	\$ -
Y	TRANS MIL FIX 20%	2	\$ 1.70	\$ 3.40	\$ 40.80	\$ 1.70	\$ 3.40	\$ 40.80	\$ -
Y	61X1-10-20%	4	\$ 13.42	\$ 13.42	\$ 161.04	\$ 13.42	\$ 13.42	\$ 161.04	\$ -
Y	58X1-10 MILEAGE 27%	1	\$ 17.23	\$ 17.23	\$ 206.76	\$ 17.23	\$ 17.23	\$ 206.76	\$ -
Y	25X-85 MILEAGE 20%	1	\$ 8.71	\$ 8.71	\$ 104.52	\$ 8.71	\$ 8.71	\$ 104.52	\$ -
Y	25X-85 MILEAGE 41%	2	\$ 8.71	\$ 17.42	\$ 209.04	\$ 8.71	\$ 17.42	\$ 209.04	\$ -
Y	80X1-10 MILEAGE 20%	1	\$ 17.60	\$ 17.60	\$ 211.20	\$ 17.60	\$ 17.60	\$ 211.20	\$ -
Y	56K SPECIAL ACCESS	0	\$ 188.50	\$ -	\$ -	\$ 188.50	\$ -	\$ -	\$ -
C	TOLL RESTRICTION - RES	3	\$ 2.00	\$ 6.00	\$ 72.00	\$ 2.00	\$ 6.00	\$ 72.00	\$ -
C	TOLL RESTRICTION - BUS	0	\$ 3.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	TOLL RESTRICTION - RES	4	\$ 2.00	\$ 8.00	\$ 96.00	\$ 2.00	\$ 8.00	\$ 96.00	\$ -
Y	TOLL RESTRICTION - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	ADD'L BUS LIST	0	\$ 1.50	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
Y	ADD'L BUS LIST	3	\$ 1.25	\$ 3.75	\$ 45.00	\$ 1.00	\$ 3.00	\$ 36.00	\$ (9.00)
C	ADD'L RES LIST	9	\$ 1.00	\$ 9.00	\$ 108.00	\$ 1.00	\$ 9.00	\$ 108.00	\$ -
Y	ADD'L RES LIST	8	\$ 1.00	\$ 8.00	\$ 96.00	\$ 1.00	\$ 8.00	\$ 96.00	\$ -
C	ADDITIONAL INFORM	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	FOREIGN LISTING - RES	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	FOREIGN LISTING - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	FOREIGN LISTING - RES	1	\$ 1.00	\$ 1.00	\$ 12.00	\$ 2.00	\$ 2.00	\$ 24.00	\$ 12.00
Y	FOREIGN LISTING - BUS	0	\$ 1.25	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	NON-LIST	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	NON-LIST	9	\$ 1.20	\$ 10.80	\$ 129.60	\$ 2.00	\$ 18.00	\$ 216.00	\$ 86.40
C	NON- PUBLISHED	17	\$ 2.00	\$ 34.00	\$ 408.00	\$ 2.00	\$ 34.00	\$ 408.00	\$ -
Y	NON- PUBLISHED	30	\$ 1.50	\$ 45.00	\$ 540.00	\$ 2.00	\$ 60.00	\$ 720.00	\$ 180.00
C	PUBLIC ACCESS LINE (PAL)	0	\$ 52.50	\$ -	\$ -	\$ 52.50	\$ -	\$ -	\$ -
Y	PUBLIC ACCESS LINE (PAL)	0	\$ 69.50	\$ -	\$ -	\$ 69.50	\$ -	\$ -	\$ -
C	CREDIT CARD SERVICE FEE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	DIRECTORY ASSISTANCE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	LINE LEASE + ACCESS CHARGE	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	INSTALL CHG.	0	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	LINE LEASE + ACCESS CHARGE	2	\$ 8.25	\$ 16.50	\$ 198.00	\$ 21.00	\$ 42.00	\$ 504.00	\$ 306.00
Y	INSTALL CHG.	0	\$ 22.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	EXTENSION-CONTINUOUS	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
C	MISC. REVENUE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	RETURN CHECK CHARGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	INSIDE WIRE MAINTENANCE	0	\$ 1.00	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
TOTAL				\$ 17,818.44	\$ 147,257.53		\$ 22,865.40	\$ 209,209.80	\$ 61,952.27
YOUNG				\$ 12,674.84	\$ 94,609.33		\$ 16,725.80	\$ 146,259.60	\$ 51,650.27
CASCABEL				\$ 5,126.00	\$ 52,437.00		\$ 6,122.00	\$ 62,739.00	\$ 10,302.00

SUMMARY OF LOCAL REVENUES

	Arizona	Young	Cascabel
CURRENT ANNUALIZED REVENUES (COL F)	147,258	94,609	52,437
- UNCOLLECTIBLE (W/S 2)	(1,279)	(284)	(995)
NET REVENUES	145,979	94,325	51,442
+ PROPOSED INCREASE (COL J)	61,952	51,650	10,302
UNCOLLECTABLE FACTOR	-0.87%	-0.30%	-1.90%
- UNCOLLECTIBLE (INCREMENTAL CHANGE)	(538)	(155)	(195)
NET INCREASE	61,414	51,495	10,107
	207,393	145,821	61,549
+ STATE USF	225,567	44,313	181,253
	432,959	190,134	242,802
+ FEDERAL USF (AMT FROM W/S 5)	313,245	221,882	91,363
TOTAL PROPOSED LOCAL REVENUES	746,204	412,016	334,165

MIDVALE TELEPHONE EXCHANGE
STATE UNIVERSAL SERVICE FUNDING REQUIRED

TOTAL ARIZONA	PROPOSED REVENUE	STATE USF FUNDING REQUIRED
LOCAL	61,186	
INTERSTATE USF		
INTRASTATE ACCESS	(141,618)	
MISC+UNCOLLECT	(351)	
TOTAL	(80,782)	225,567

TOTAL YOUNG	PROPOSED REVENUE	STATE USF FUNDING REQUIRED
LOCAL	61,136	
INTERSTATE USF		
INTRASTATE ACCESS	(58,651)	
MISC+UNCOLLECT	(155)	
TOTAL	2,330	44,313

TOTAL CASCABEL	PROPOSED REVENUE	STATE USF FUNDING REQUIRED
LOCAL	51	
INTRASTATE ACCESS	(82,967)	
MISC+UNCOLLECT	(195)	
TOTAL	(83,112)	181,253

MIDVALE TELEPHONE EXCHANGE
 STATE UNIVERSAL SERVICE FUNDING REQUIRED

CURRENT ACCESS RATES: Arizona Total

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	910227	0.0606	55,202		
CCL- TERM	838286	0.0582	48,778		
LOCAL TRANSPORT	1748513	0.0201	35,160	average	0.11141
LOCAL SWITCHING	1748513	0.0201	35,160		
BILLING & COLLECTING	89174	0.2300	20,510		
			194,810		

PROPOSED ACCESS RATES: Arizona Total

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	730227	0.0300	21,907		
CCL- TERM	658286	0.0300	19,749		
LOCAL TRANSPORT	1388513	0.0100	13,885	average	0.06284
LOCAL SWITCHING	1388513	0.0100	13,885		
BILLING & COLLECTING	89174	0.2000	17,835		
SUB TOTAL			87,260		

CURRENT ACCESS RATES: Young

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	450508	0.0460	20,723		
CCL- TERM	485985	0.0460	22,355		
LOCAL TRANSPORT	936493	0.0150	14,047	average	0.08773
LOCAL SWITCHING	936493	0.0150	14,047		
BILLING & COLLECTING	47761	0.2300	10,985		
B&C factor	0.051				
			82,159		

PROPOSED ACCESS RATES: Young

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	450508	0.0300	13,515		
CCL- TERM	485985	0.0300	14,580		
LOCAL TRANSPORT	936493	0.0100	9,365	average	0.06020
LOCAL SWITCHING	936493	0.0100	9,365		
BILLING & COLLECTING	47761	0.2000	9,552		
B&C factor	0.051				
			56,377		

CURRENT ACCESS RATES: Cascabel

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	459719	0.0750	34,479		
CCL- TERM	352301	0.0750	26,423		
LOCAL TRANSPORT	812020	0.0260	21,113	average	0.13873
LOCAL SWITCHING	812020	0.0260	21,113		
BILLING & COLLECTING	41413	0.2300	9,525		
B&C factor	0.051				
			112,652		

PROPOSED ACCESS RATES: Cascabel

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	279719	0.0300	8,392		
CCL- TERM	172301	0.0300	5,169		
LOCAL TRANSPORT	452020	0.0100	4,520	average	0.06832
LOCAL SWITCHING	452020	0.0100	4,520		
BILLING & COLLECTING	41413	0.2000	8,283		
B&C factor	0.051				
			30,884		

MIDVALE TELEPHONE

Net Telephone Plant

MIDVALE TELEPHONE EXCHANGE

	ARIZONA	OREGON	IDAHO	MIDVALE CONSOLIDATED
NET TELEPHONE PLANT	1,912,144	973,450	6,751,019	9,636,613

MIDVALE TELEPHONE EXCHANGE
SUMMARY OF RATE BASE -TOTAL ARIZONA

ACC CODE	PLANT DESCRIPTION	BALANCE	BALANCE	AVERAGE	PROFORMA ADJUSTMENTS	AVERAGE	INTERSTATE	INTERSTATE	INTERSTATE
		12/31/98	12/31/99		EAS	PROFORMA	PROFORMA	PROFORMA	% chg.
Y	2111.54 LAND	20,207	20,207	20,207		20,207	7,250	12,957	35.8800%
Y	2111.55 BUILDINGS	14,347	14,347	14,347	20,000	20,000	7,176	12,824	35.8800%
C	2112.33 VEHICLES	29,645	29,645	29,645	50,000	50,000	5,148	9,199	35.8800%
Y	2112.55 OTHER WORK EQUIP	24,900	24,900	24,900			17,940	32,060	35.8800%
Y	2116.33 OTHER WORK EQUIP	21,980	21,980	21,980			29,645	19,008	35.8800%
Y	2122.55 OFFICIAL STATION EQUIP	500	500	500			10,637	15,966	35.8800%
Y	2124.33 GEN PURCHASE COMPUTERS	6,971	6,971	6,971			7,886	14,094	35.8800%
C	2124.55 GEN PURCH COMPUTERS	1,972	1,972	1,972			179	321	35.8800%
Y	2124.55 GEN PURCH COMPUTERS	157,744	187,974	172,859			2,501	4,470	35.8800%
Y	2212.33 DIG ELECT SWITCH	320,795	309,186	314,991			1,265	1,265	35.8800%
Y	2212.55 DIG ELECT SWITCH	303,076	304,974	304,025	350,188	350,188	128,313	44,546	74.2300%
C	2230.33 CENTRAL OFFICE TRAN	560,420	565,809	563,115			314,991	81,173	74.2300%
Y	2351.55 PUBLIC TELE EQUIP	5,619	5,619	5,619	667,415	667,415	259,945	90,243	74.2300%
C	2423.33 BURIED CABLE	766,075	766,075	766,075			91,633	212,392	30.1400%
Y	2423.55 BURIED CABLE	800,504	800,504	800,504			563,115	393,392	30.1400%
Y							201,159	466,256	30.1400%
Y							667,415	201,159	27.4700%
Y							5,619	4,076	27.4700%
Y							766,075	555,634	27.4700%
Y							800,504	580,606	27.4700%
							219,898		74.2300%
	TOTAL PLANT IN SERVICE	3,034,756	3,047,710	3,047,710	1,087,603	4,135,313	1,584,832	2,550,481	
	YOUNG	1,749,285	1,743,045	1,746,155		1,746,155	647,202	1,098,954	
	CASCABEL	1,285,471	1,317,619	1,301,555		1,301,555	451,411	850,144	
C	2003.33 PLNT CONST.								27.4300%
Y	2007.55 PLNT ACQ ADJ								27.4300%
Y	2007.56 RES AMT. PLT ACQ								34.3500%
C	3112.33 ACCUM DEP-VEHICLES	(13,545)	(13,545)	(13,545)		(13,545)	(4,918)	(8,627)	36.3100%
Y	3112.55 ACCUM DEP-VEHICLES	(17,500)	(22,480)	(19,990)		(19,990)	(7,238)	(12,732)	36.3100%
C	3116.33 ACCUM DEP-OTHER EQUIP	(21,650)	(21,980)	(21,820)		(21,820)	(7,923)	(13,897)	36.3100%
Y	3121.55 ACCUM DEP-BLDG	(996)	(1,474)	(1,235)		(1,235)	(448)	(787)	36.3100%
Y	3122.55 ACCUM DEP-F & FY	(243)	(314)	(279)		(279)	(101)	(177)	36.3100%
C	3124.33 ACCUM DEP-COMPUTERS	(2,360)	(3,755)	(3,058)		(3,058)	(1,100)	(1,947)	36.3100%
Y	3124.55 ACCUM DEP-COMPUTERS	(624)	(12,018)	(6,321)		(6,321)	(2,295)	(4,026)	36.3100%
C	3212.33 ACCUM DEP-DIGITAL SWITCH	(79,223)	(106,672)	(92,948)		(92,948)	(33,749)	(59,198)	36.3100%
Y	3212.55 ACCUM DEP-DIGITAL SWITCH	(88,879)	(18,622)	(52,165)		(52,165)	(18,941)	(33,224)	36.3100%
C	3230.33 ACCUM DEP-CO TRANS	(367,044)	(603,687)	(385,366)		(385,366)	(139,926)	(245,439)	36.3100%
Y	3351.55 ACCUM DEP-PUBLIC	(5,619)	(5,619)	(5,619)		(5,619)	(2,040)	(3,579)	36.3100%
C	3423.33 ACCUM DEP-BURIED CABLE	(133,447)	(165,366)	(149,407)		(149,407)	(54,280)	(95,157)	36.3100%
Y	3423.55 ACCUM DEP-BURIED CABLE	(305,768)	(339,123)	(322,446)		(322,446)	(117,080)	(205,366)	36.3100%
	RATE BASE	1,912,141	1,848,894	1,880,518	1,087,603	2,968,121	1,161,025	1,807,096	
	YOUNG	965,763	939,708	952,736		952,736	359,111	593,625	
	CASCABEL	946,378	909,186	927,782		927,782	315,694	612,088	

NOTES:

Y= YOUNG
C= CASCABEL

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

TOTAL ARIZONA	12/31/99 RECORDED	PROFORMA ADJUSTMENTS			RATE CASE EXP	UNSERVED		RESULTS AFTER PROFORMA	INTERSTATE AFTER PROFORMA	INTRASTATE AFTER PROFORMA	INTERSTATE % alloc.
		FED USF YOUNG	EAS	EAS		UNSERVED	UNSERVED				
OPERATING REVENUES											
LOCAL SERVICES	146,183	-	-	-	-	71,477	-	217,660	-	217,660	
ENDUSER REVENUE (SLC)	26,186	-	-	-	-	10,122	-	36,308	-	36,308	
INTERSTATE ACCESS	377,001	-	-	-	-	63,636	-	440,637	417,490	23,147	
INTRASTATE ACCESS	186,820	-	(17,190)	-	-	57,272	-	226,902	-	226,902	
INTERSTATE USE	107,050	-	(15,687)	-	-	-	-	313,187	-	313,187	
STATE USE	-	-	-	-	-	-	-	-	-	-	
DIRECTORY REVENUE	1,759	-	-	-	-	2,073	-	1,759	-	1,759	
MISC.	22,081	-	-	-	-	(715)	-	24,154	-	24,154	
UNCOLLECTIBLE	(1,279)	-	-	-	-	-	-	(1,994)	-	(1,994)	
TOTAL REVENUE	865,801	-	(32,877)	-	-	203,865	-	1,258,613	417,490	841,123	
OPERATING EXPENSES											
PLANT SPECIFIC OPERATIONS	127,720	-	-	-	-	27,462	-	155,182	55,509	99,673	35.7700%
PLANT NON-SPECIFIC OPERATIONS	62,925	-	-	-	-	21,595	-	84,520	39,589	44,931	46.8400%
DEP. AND AMORT	186,282	-	-	-	-	101,161	-	287,443	115,926	171,517	40.3300%
CUSTOMER OPERATIONS	96,131	-	-	-	-	20,968	-	117,099	28,748	88,351	24.5500%
CORPORATE OPERATIONS	254,880	-	-	-	40,000	56,051	-	350,931	113,281	237,650	32.2800%
PROVISION FOR DEFERRED INCOME	-	-	-	-	-	-	-	-	-	-	36.4800%
OTHER OPERATING TAXES	81,282	-	-	-	-	9,103	-	90,385	32,972	57,413	36.4800%
INTEREST EXPENSE	25,107	-	-	-	-	55,023	-	80,130	29,231	50,899	36.4800%
TOTAL EXPENSES	834,327	-	-	-	40,000	291,363	-	1,165,690	415,256	750,434	
UTILITY OPERATING INCOME	31,474	-	(32,877)	(40,000)	-	-	-	92,923	2,234	90,689	

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

	PROFORMA ADJUSTMENTS		RATE CASE EXP	EAS	FED USF YOUNG	RESULTS AFTER PROFORMA	INTRASTATE AFTER PROFORMA	INTERSTATE AFTER PROFORMA	INTERSTATE % alloc.
	12/31/99 RECORDED	FED USF YOUNG							
TOTAL ARIZONA									
TOTAL YOUNG									
OPERATING REVENUES									
LOCAL SERVICES	84,685					84,685	84,685		
ENDUSER REVENUE (SLC)	17,634					17,634	16,032	1,602	
INTERSTATE ACCESS	228,423					228,423	255,796	(27,373)	
INTRASTATE ACCESS	81,252					81,252	81,252		
INTRASTATE USE	-	221,824				221,824	221,824		
STATE USE	1,030					1,030	1,030		
DIRECTORY REVENUE	9,969					9,969	9,969		
MISC.	(284)					(284)	(284)		
UNCOLLECTIBLE									
TOTAL REVENUE	422,709	221,824	-	-		644,533	271,828	372,705	
OPERATING EXPENSES									
PLANT SPECIFIC OPERATIONS	69,742					69,742	24,947	44,795	35.7700%
PLANT NON-SPECIFIC OPERATIONS	21,444					21,444	10,044	11,400	46.8400%
DEP. AND AMORT	115,785					115,785	46,696	69,089	40.3300%
CUSTOMER OPERATIONS	63,682					63,682	15,634	48,048	24.5500%
CORPORATE OPERATIONS	157,423					177,423	57,272	120,151	32.2800%
PROVISION FOR DEFERRED INCOME					20,000	-	-	-	36.4800%
OTHER OPERATING TAXES	47,009					47,009	17,149	29,860	36.4800%
INTEREST INCOME	9,573					9,573	3,492	6,081	36.4800%
TOTAL EXPENSES	484,658					504,658	175,234	329,424	
UTILITY OPERATING INCOME	(61,949)	221,824	(20,000)	-		139,875	96,594	43,281	

MIDVALE TELEPHONE EXCHANGE
COMPARATIVE INCOME STATEMENT - TOTAL ARIZONA

	PROFORMA ADJUSTMENTS			RATE CASE EXP	RESULTS AFTER PROFORMA	INTERSTATE AFTER PROFORMA	INTRASTATE AFTER PROFORMA	INTERSTATE % alloc.
	12/31/99 RECORDED	FED USF YOUNG	EAS					
TOTAL ARIZONA								
CASCABEL, AZ								
<u>OPERATING REVENUES</u>								
LOCAL SERVICES	61,498				61,498	61,498	61,498	
END USER REVENUE (SLC)	8,552				8,552	7,190	1,362	
INTERSTATE ACCESS	148,578		(17,190)		148,578	161,694	(13,116)	
INTRASTATE ACCESS	105,568		(15,687)		88,378	88,378	88,378	
INTERSTATE USE	107,050				91,363	91,363	91,363	
STATE USE								
DIRECTORY REVENUE	729				729	729	729	
MISC.	12,112				12,112	12,112	12,112	
UNCOLLECTIBLE	(995)				(995)	(995)	(995)	
TOTAL REVENUE	<u>443,092</u>		<u>(32,877)</u>		<u>410,215</u>	<u>168,884</u>	<u>241,331</u>	
<u>OPERATING EXPENSES</u>								
PLANT SPECIFIC OPERATIONS	57,978				57,978	20,739	37,239	35.7700%
PLANT NON-SPECIFIC OPERATIONS	41,481				41,481	19,430	22,051	46.8400%
DEP. AND AMORT	70,497				70,497	28,431	42,066	40.3300%
CUSTOMER OPERATIONS	32,449				32,449	7,966	24,483	24.5500%
CORPORATE OPERATIONS	97,457			20,000	117,457	37,915	79,542	32.2800%
PROVISION FOR DEFERRED INCOME					-	-	-	36.4800%
OTHER OPERATING TAXES	34,273				34,273	12,503	21,770	36.4800%
INTEREST EXPENSE	15,534				15,534	5,667	9,867	36.4800%
TOTAL EXPENSES	<u>349,669</u>			20,000	<u>369,669</u>	<u>132,651</u>	<u>237,018</u>	
UTILITY OPERATING INCOME	<u>93,423</u>		<u>(32,877)</u>	<u>(20,000)</u>	<u>40,546</u>	<u>36,233</u>	<u>4,313</u>	

MIDVALE TELEPHONE EXCHANGE
CALCULATION OF COST OF CAPITAL - TOTAL ARIZONA

<u>LINE</u>	(A) <u>DESCRIPTION</u>	(B) <u>CAPITAL AMOUNT</u>	(C) <u>CAPITAL RATIO</u>	(D) <u>COST</u>	(E) <u>WGT COST (C x D)</u>
	LONG TERM DEBT				
1	RTFC CONST. LOAN CASCABEL	200,631	0.0596	0.0610	0.0036
2	RUS 5% CASCABEL	268,586	0.0798	0.0500	0.0040
3	OTHER (UNSERVED)	1,080,798	0.3210	0.0800	0.0257
4	TOTAL DEBT	<u>1,550,015</u>	0.4604		0.0333
5	EQUITY (CASCABEL & YOUNG, NEW)	1,816,869	0.5396	0.1300	0.0702
6	OTHER			-	
7	TOTAL EQUITY	<u>1,816,869</u>	0.5396		0.0702
8	TOTAL	<u><u>3,366,884</u></u>	1.0000		<u><u>0.1035</u></u>

MIDVALE TELEPHONE EXCHANGE
CALCULATION OF REVENUE DEFICIENCY - TOTAL ARIZONA

<u>LINE</u>	<u>DESCRIPTION</u>	ARIZONA	YOUNG	CASCABEL
1	RATE BASE	1,807,096	593,625	612,088
2	RATE OF RETURN ON RATE BASE	0.1035	0.1035	0.1035
3	REQUIRED RETURN (LN 1 x LN 2)	186,955	61,414	63,324
4	UTILITY OPERATING INCOME	90,689	43,281	4,313
5	RETURN DEFICIENCY (LN 3 - LN 4)	96,266	18,133	59,011
6	NET INCOME GROSS REVENUE CONVERSION			
	RATIO			
6A	TOTAL GROSS REVENUE (W/S 2)	1.0000	1.0000	1.0000
6B	LESS: UNCOLLECTIBLE (W/S 2 INTRASTATE)	0.0024	0.0008	0.0041
6C	NET REVENUES (LN 6A - LN 6B)	0.9976	0.9992	0.9959
6D	STATE INCOME TAX RATE (INPUT)	0.0800	0.0800	0.0800
6E	STATE INCOME TAXES (LN 6C x LN 6D)	0.0798	0.0799	0.0797
6F	FEDERAL INCOME TAX BASE (LN 6C - 6E)	0.9178	0.9193	0.9162
6G	FEDERAL INCOME TAX RATE (INPUT)	0.3500	0.3500	0.3500
6H	FEDERAL INCOME TAXES (LN 6F x LN 6G)	0.3212	0.3218	0.3207
6i	NET OPERATING REVENUE (LN 6F - LN 6H)	0.5966	0.5975	0.5955
6J	NET INC TO GROSS REVENUE MULT (1/LN 6i)	1.6762	1.6735	1.6792
6K	GROSS UP REVENUE (EQ. INT. X RB X LN6J)	85,724	28,048	29,163
7	REVENUE INCREASE REQUIRED (LN 5 + LN 6K)	181,991	46,181	88,174
	PERCENT INCREASE	21.6%	12.4%	36.5%

MIDVALE TELEPHONE EXCHANGE
SOURCE REVENUE

TOTAL ARIZONA

	<u>BEFORE PROPOSED RATES</u>	<u>CHANGES</u>	<u>AFTER PROPOSED RATES</u>
LOCAL SERVICE	217,660	61,210	278,870
INTERSTATE USF	313,187	-	313,187
STATE USF	-	221,360	221,360
INTRASTATE ACCESS	226,902	(100,204)	126,698
MISCELLANEOUS	23,840	-	23,840
UNCOLLECTIBLE	(1,994)	-	(1,994)
	<hr/>		
TOTAL	<u>779,595</u>	<u>182,365</u>	<u>961,960</u>

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV. @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
LOCAL									
Y	RESIDENCE- R1	363	\$ 12.40	\$ 4,501.20	\$ 54,014.40	\$ 24.00	\$ 8,712.00	\$ 104,544.00	\$ 50,529.60
Y	RESIDENCE- Zone 1 Charge	0	\$ 1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	RESIDENCE- Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	RESIDENCE- Flat 2 Party	4	\$ 10.76	\$ 43.04	\$ 516.48	\$ 24.00	\$ 96.00	\$ 1,152.00	\$ 635.52
Y	BUSINESS- B1	58	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ 32.00	\$ 1,856.00	\$ 22,272.00	\$ -
Y	BUSINESS- Zone 1 Charge	0	\$ 1.10	\$ -	\$ -	\$ 1.10	\$ -	\$ -	\$ -
Y	BUSINESS- Zone 2 Charge	0	\$ 3.30	\$ -	\$ -	\$ 3.30	\$ -	\$ -	\$ -
Y	BUSINESS- pay	3	\$ 21.00	\$ 63.00	\$ 756.00	\$ 21.00	\$ 63.00	\$ 756.00	\$ -
Y	BUSINESS- Flat 4 Party	1	\$ 24.20	\$ 24.20	\$ 290.40	\$ 32.00	\$ 32.00	\$ 384.00	\$ 93.60
Y	KEY-SYSTEM	0	\$ 32.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX- Zone 1	0	\$ 45.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PBX- Zone 2	2	\$ 44.70	\$ 89.40	\$ 1,072.80	\$ 32.00	\$ 64.00	\$ 768.00	\$ (304.80)
Y	PAL	0	\$ 69.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	Foreign Exchange	1	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ 250.00	\$ 250.00	\$ 3,000.00	\$ -
Y	VACATION - Zone 1 Charge	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION - Zone 2 Charge	2	\$ 7.85	\$ 15.70	\$ 188.40	\$ 10.50	\$ 21.00	\$ 252.00	\$ 63.60
C	RESIDENCE- R1	172	\$ 21.00	\$ 3,612.00	\$ 43,344.00	\$ 24.00	\$ 4,128.00	\$ 49,536.00	\$ 6,192.00
C	BUSINESS- B1	30	\$ 21.00	\$ 630.00	\$ 7,560.00	\$ 32.00	\$ 960.00	\$ 11,520.00	\$ 3,960.00
C	BUSINESS- pay	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	KEY-SYSTEM	0	\$ 30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PBX	0	\$ 30.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	PAL	0	\$ 52.50	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	VACATION	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
NON-RECURRING CHARGES									
Y	SERVICE ORDER	55	\$ 10.00	\$ 550.00	\$ 550.00	\$ 10.00	\$ 550.00	\$ 550.00	\$ -
C	SERVICE ORDER	15	\$ 10.00	\$ 150.00	\$ 150.00	\$ 10.00	\$ 150.00	\$ 150.00	\$ -
Y	LINE CONNECTION	55	\$ 12.00	\$ 660.00	\$ 660.00	\$ 25.00	\$ 1,375.00	\$ 1,375.00	\$ 715.00
Y	LINE CONNECTION - Zone 1	35	\$ 33.25	\$ 1,163.75	\$ 1,163.75	\$ 25.00	\$ 875.00	\$ 875.00	\$ (288.75)
Y	LINE CONNECTION - Zone 2	20	\$ 75.25	\$ 1,505.00	\$ 1,505.00	\$ 25.00	\$ 500.00	\$ 500.00	\$ (1,005.00)
C	LINE CONNECTION	15	\$ 15.00	\$ 225.00	\$ 225.00	\$ 25.00	\$ 375.00	\$ 375.00	\$ 150.00
Y	PREMISE VISIT	55	\$ 24.50	\$ 1,347.50	\$ 1,347.50	\$ 30.00	\$ 1,650.00	\$ 1,650.00	\$ 302.50
C	PREMISE VISIT	15	\$ 30.00	\$ 450.00	\$ 450.00	\$ 30.00	\$ 450.00	\$ 450.00	\$ -
OTHER RATES & CHARGES									
CUSTOM CALLING									
Y	RES- CALL-WAITING	8	\$ 5.00	\$ 40.00	\$ 480.00	\$ 5.00	\$ 40.00	\$ 480.00	\$ -
Y	BUS- CALL-WAITING	0	\$ 7.50	\$ -	\$ -	\$ 7.50	\$ -	\$ -	\$ -
Y	RES- CALL-FORWARDING	7	\$ 2.74	\$ 19.18	\$ 230.16	\$ 2.74	\$ 19.18	\$ 230.16	\$ -
Y	BUS- CALL-FORWARDING	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
Y	RES- 3-WAY CALLING	5	\$ 3.52	\$ 17.60	\$ 211.20	\$ 3.52	\$ 17.60	\$ 211.20	\$ -
Y	BUS- 3-WAY CALLING	0	\$ 4.20	\$ -	\$ -	\$ 4.20	\$ -	\$ -	\$ -
Y	RES- 8 NO- SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS- 8 NO- SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES- 30 NO- SPEED CALLING	0	\$ 1.74	\$ -	\$ -	\$ 1.74	\$ -	\$ -	\$ -
Y	BUS- 30 NO- SPEED CALLING	0	\$ 3.00	\$ -	\$ -	\$ 3.00	\$ -	\$ -	\$ -
Y	RES- FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	BUS- FIXED CALLING	0	\$ 2.50	\$ -	\$ -	\$ 2.50	\$ -	\$ -	\$ -
Y	RES- LINE BUSY-DIV.	0	\$ 1.85	\$ -	\$ -	\$ 1.85	\$ -	\$ -	\$ -
Y	BUS- LINE BUSY-DIV.	0	\$ 8.00	\$ -	\$ -	\$ 8.00	\$ -	\$ -	\$ -
Y	ANY- 2 (20% DISCOUNT)	1	\$ 6.19	\$ 6.19	\$ 74.28	\$ 6.19	\$ 6.19	\$ 74.28	\$ -
Y	ANY- 3 (25% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY- 4 (30% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	ANY- 5 (35% DISCOUNT)	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
MISCELLANEOUS									
C	VACATION RATE	0	\$ 10.50	\$ -	\$ -	\$ 10.50	\$ -	\$ -	\$ -
Y	VACATION RATE - Zone 1	3	\$ 6.75	\$ 20.25	\$ 243.00	\$ 10.50	\$ 31.50	\$ 378.00	\$ 135.00
Y	VACATION RATE - Zone 2	2	\$ 7.85	\$ 15.70	\$ 188.40	\$ 10.50	\$ 21.00	\$ 252.00	\$ 63.60
Y	PAYPHONE-LOCAL	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	PRIVATE LINE EXTENSION	8	\$ 7.00	\$ 56.00	\$ 672.00	\$ 7.00	\$ 56.00	\$ 672.00	\$ -
Y	INTRACHANGE P/L MILEAGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	OFF-PREMISE EXTENSION	2	\$ 4.00	\$ 8.00	\$ 96.00	\$ 4.00	\$ 8.00	\$ 96.00	\$ -
Y	EMERG. RPT -MAIN STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	EMERG. RPT-ADDL STATION	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Y	TRUNK HUNTING FEATURE	2	\$ 8.00	\$ 16.00	\$ 192.00	\$ 8.00	\$ 16.00	\$ 192.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Channel	1	\$ 6.50	\$ 6.50	\$ 78.00	\$ 6.50	\$ 6.50	\$ 78.00	\$ -
Y	BUSINESS CHANNEL TERM - Dedicated Trunk	6	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ 24.42	\$ 146.52	\$ 1,758.24	\$ -
Y	TRUNK TERMINATION	2	\$ 26.70	\$ 53.40	\$ 640.80	\$ 26.70	\$ 53.40	\$ 640.80	\$ -
Y	PBX NUMBER BLOCK	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	TRANS MFL FIX 27%	1	\$ 2.29	\$ 2.29	\$ 27.48	\$ 2.29	\$ 2.29	\$ 27.48	\$ -
Y	FIXED-MILEAGE 20%	1	\$ 4.98	\$ 4.98	\$ 59.76	\$ 4.98	\$ 4.98	\$ 59.76	\$ -

MIDVALE TELEPHONE EXCHANGE
LOCAL RATE AND REVENUE SUMMARY - TOTAL ARIZONA

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	DESCRIPTION	12/31/98 UNITS	CURRENT RATE	MONTHLY REV @ CURRENT	ANNUALIZED REV. @ CURRENT	PROPOSED RATE	MONTHLY REV. AT PROPOSED	ANNUALIZED REV. AT PROPOSED	ANNUAL REVENUE INCREASE
Y	TRANS MIL FIX 41%	2	\$ 4.98	\$ 9.96	\$ 119.52	\$ 4.98	\$ 9.96	\$ 119.52	\$ -
Y	TRANS MIL FIX 20%	2	\$ 1.70	\$ 3.40	\$ 40.80	\$ 1.70	\$ 3.40	\$ 40.80	\$ -
Y	61X1-10 20%	1	\$ 13.42	\$ 13.42	\$ 161.04	\$ 13.42	\$ 13.42	\$ 161.04	\$ -
Y	58X1-10 MILEAGE 27%	1	\$ 17.23	\$ 17.23	\$ 206.76	\$ 17.23	\$ 17.23	\$ 206.76	\$ -
Y	25X-85 MILEAGE 20%	1	\$ 8.71	\$ 8.71	\$ 104.52	\$ 8.71	\$ 8.71	\$ 104.52	\$ -
Y	25X-85 MILEAGE 41%	2	\$ 8.71	\$ 17.42	\$ 209.04	\$ 8.71	\$ 17.42	\$ 209.04	\$ -
Y	80X1-10 MILEAGE 20%	1	\$ 17.60	\$ 17.60	\$ 211.20	\$ 17.60	\$ 17.60	\$ 211.20	\$ -
Y	56K SPECIAL ACCESS	0	\$ 188.50	\$ -	\$ -	\$ 188.50	\$ -	\$ -	\$ -
C	TOLL RESTRICTION - RES	3	\$ 2.00	\$ 6.00	\$ 72.00	\$ 2.00	\$ 6.00	\$ 72.00	\$ -
C	TOLL RESTRICTION - BUS	0	\$ 3.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	TOLL RESTRICTION - RES	4	\$ 2.00	\$ 8.00	\$ 96.00	\$ 2.00	\$ 8.00	\$ 96.00	\$ -
Y	TOLL RESTRICTION - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	ADD'L BUS LIST	0	\$ 1.50	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
Y	ADD'L BUS LIST	3	\$ 1.25	\$ 3.75	\$ 45.00	\$ 1.00	\$ 3.00	\$ 36.00	\$ (9.00)
C	ADD'L RES LIST	9	\$ 1.00	\$ 9.00	\$ 108.00	\$ 1.00	\$ 9.00	\$ 108.00	\$ -
Y	ADD'L RES LIST	8	\$ 1.00	\$ 8.00	\$ 96.00	\$ 1.00	\$ 8.00	\$ 96.00	\$ -
C	ADDITIONAL INFORM	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	FOREIGN LISTING - RES	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	FOREIGN LISTING - BUS	0	\$ 2.00	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
Y	FOREIGN LISTING - RES	1	\$ 1.00	\$ 1.00	\$ 12.00	\$ 2.00	\$ 2.00	\$ 24.00	\$ 12.00
Y	FOREIGN LISTING - BUS	0	\$ 1.25	\$ -	\$ -	\$ 2.00	\$ -	\$ -	\$ -
C	NON-LIST	5	\$ 2.00	\$ 10.00	\$ 120.00	\$ 2.00	\$ 10.00	\$ 120.00	\$ -
Y	NON-LIST	9	\$ 1.20	\$ 10.80	\$ 129.60	\$ 2.00	\$ 18.00	\$ 216.00	\$ 86.40
C	NON- PUBLISHED	17	\$ 2.00	\$ 34.00	\$ 408.00	\$ 2.00	\$ 34.00	\$ 408.00	\$ -
Y	NON- PUBLISHED	30	\$ 1.50	\$ 45.00	\$ 540.00	\$ 2.00	\$ 60.00	\$ 720.00	\$ 180.00
C	PUBLIC ACCESS LINE (PAL)	0	\$ 52.50	\$ -	\$ -	\$ 52.50	\$ -	\$ -	\$ -
Y	PUBLIC ACCESS LINE (PAL)	0	\$ 69.50	\$ -	\$ -	\$ 69.50	\$ -	\$ -	\$ -
C	CREDIT CARD SERVICE FEE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	DIRECTORY ASSISTANCE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	LINE LEASE + ACCESS CHARGE	0	\$ 21.00	\$ -	\$ -	\$ 21.00	\$ -	\$ -	\$ -
C	INSTALL CHG.	0	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	LINE LEASE + ACCESS CHARGE	2	\$ 8.25	\$ 16.50	\$ 198.00	\$ 21.00	\$ 42.00	\$ 504.00	\$ 306.00
Y	INSTALL CHG.	0	\$ 22.00	\$ -	\$ -	\$ 25.00	\$ -	\$ -	\$ -
Y	EXTENSION-CONTINUOUS	0	\$ 4.00	\$ -	\$ -	\$ 4.00	\$ -	\$ -	\$ -
C	MISC. REVENUE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	RETURN CHECK CHARGE	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
C	INSIDE WIRE MAINTENANCE	0	\$ 1.00	\$ -	\$ -	\$ 1.00	\$ -	\$ -	\$ -
TOTAL				\$ 17,818.44	\$ 147,257.53		\$ 22,865.40	\$ 209,209.80	\$ 61,952.27
YOUNG				\$ 12,674.84	\$ 94,609.33		\$ 16,725.80	\$ 146,259.60	\$ 51,650.27
CASCABEL				\$ 5,126.00	\$ 52,437.00		\$ 6,122.00	\$ 62,739.00	\$ 10,302.00

SUMMARY OF LOCAL REVENUES

	Arizona	Young	Cascabel
CURRENT ANNUALIZED REVENUES (COL F)	147,258	94,609	52,437
- UNCOLLECTIBLE (W/S 2)	(1,279)	(284)	(995)
NET REVENUES	145,979	94,325	51,442
+ PROPOSED INCREASE (COL J)	61,952	51,650	10,302
UNCOLLECTABLE FACTOR	-0.87%	-0.30%	-1.90%
- UNCOLLECTIBLE (INCREMENTAL CHANGE)	(538)	(155)	(195)
NET INCREASE	61,414	51,495	10,107
	207,393	145,821	61,549
+ STATE USF	221,360	19,627	154,096
	428,752	165,448	215,644
+ FEDERAL USF (AMT FROM W/S 5)	313,187	221,824	91,363
TOTAL PROPOSED LOCAL REVENUES	741,939	387,272	307,007

MIDVALE TELEPHONE EXCHANGE
STATE UNIVERSAL SERVICE FUNDING REQUIRED

TOTAL ARIZONA	<u>PROPOSED REVENUE</u>	<u>STATE USF FUNDING REQUIRED</u>
LOCAL	61,186	
INTERSTATE USF		
INTRASTATE ACCESS	(100,204)	
MISC+UNCOLLECT	(351)	
TOTAL	<u>(39,369)</u>	<u>221,360</u>

TOTAL YOUNG	<u>PROPOSED REVENUE</u>	<u>STATE USF FUNDING REQUIRED</u>
LOCAL	61,136	
INTERSTATE USF		
INTRASTATE ACCESS	(34,427)	
MISC+UNCOLLECT	(155)	
TOTAL	<u>26,553</u>	<u>19,627</u>

TOTAL CASCABEL	<u>PROPOSED REVENUE</u>	<u>STATE USF FUNDING REQUIRED</u>
LOCAL	51	
INTRASTATE ACCESS	(65,777)	
MISC+UNCOLLECT	(195)	
TOTAL	<u>(65,922)</u>	<u>154,096</u>

MIDVALE TELEPHONE EXCHANGE
 STATE UNIVERSAL SERVICE FUNDING REQUIRED

CURRENT ACCESS RATES: Arizona Total

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	910227	0.0606	55,202		
CCL- TERM	838286	0.0582	48,778		
LOCAL TRANSPORT	1748513	0.0201	35,160	average	0.11141
LOCAL SWITCHING	1748513	0.0201	35,160		
BILLING & COLLECTING	89174	0.2300	20,510		
			194,810		

PROPOSED ACCESS RATES: Arizona Total

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	730227	0.0300	21,907		
CCL- TERM	658286	0.0300	19,749		
LOCAL TRANSPORT	1388513	0.0100	13,885	average	0.06284
LOCAL SWITCHING	1388513	0.0100	13,885		
BILLING & COLLECTING	89174	0.2000	17,835		
SUB TOTAL			87,260		

CURRENT ACCESS RATES: Young

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	450508	0.0460	20,723		
CCL- TERM	485985	0.0460	22,355		
LOCAL TRANSPORT	936493	0.0150	14,047	average	0.08773
LOCAL SWITCHING	936493	0.0150	14,047		
BILLING & COLLECTING	47761	0.2300	10,985		
B&C factor	0.051				
			82,159		

PROPOSED ACCESS RATES: Young

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	450508	0.0300	13,515		
CCL- TERM	485985	0.0300	14,580		
LOCAL TRANSPORT	936493	0.0100	9,365	average	0.06020
LOCAL SWITCHING	936493	0.0100	9,365		
BILLING & COLLECTING	47761	0.2000	9,552		
B&C factor	0.051				
			56,377		

CURRENT ACCESS RATES: Cascabel

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	459719	0.0750	34,479		
CCL- TERM	352301	0.0750	26,423		
LOCAL TRANSPORT	812020	0.0260	21,113	average	0.13873
LOCAL SWITCHING	812020	0.0260	21,113		
BILLING & COLLECTING	41413	0.2300	9,525		
B&C factor	0.051				
			112,652		

PROPOSED ACCESS RATES: Cascabel

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>RATE</u>	<u>REVENUE</u>		
CCL- ORIG	279719	0.0300	8,392		
CCL- TERM	172301	0.0300	5,169		
LOCAL TRANSPORT	452020	0.0100	4,520	average	0.06832
LOCAL SWITCHING	452020	0.0100	4,520		
BILLING & COLLECTING	41413	0.2000	8,283		
B&C factor	0.051				
			30,884		

Three Months
 Originating Point: Cascabel
 Terminating Point Benson
 Total Lines 163
 Messages 4148

Group	Number of Lines in Each Group	Number of Calls in Each Group	Percent of Lines in Each Group	Percent of Calls in Each Group
0 Calls	13	0	8.0%	0.0%
1 Call	13	13	8.0%	0.3%
2-5 Calls	77	230	47.2%	5.5%
6-10 Calls	34	270	20.9%	6.5%
10+ Calls	26	3635	16.0%	87.6%
	163	4148	100.0%	100.0%

Call per line per mo 8.5

Three Months
 Originating Point: Cascabel
 Terminating Point San Manual
 Total Lines 163
 Messages 1209

Group	Number of Lines in Each Group	Number of Calls in Each Group	Percent of Lines in Each Group	Percent of Calls in Each Group
0 Calls	90	0	55.2%	0.0%
1 Call	7	7	4.3%	0.2%
2-5 Calls	21	78	12.9%	1.9%
6-10 Calls	4	82	2.5%	2.0%
10+ Calls	41	1042	25.2%	25.1%
	163	1209	100.0%	29.1%

Call per line per month 2.5

Calculation of Access Loss

Originating Point Terminating Point	3 Month Toll	Annual Toll	3 Month Messages	Annual Messages	3 Month Minutes	Annual Minutes	times stimulation	
							Annual Messages	Annual Minutes
Cascabel Benson	\$ 2,042	\$ 8,167	4,148	16,592	15,125	60,500	34,843	127,050
Cascabel San Manual	\$ 713	\$ 2,852	1,109	4,436	4,935	19,740	9,316	41,454
TOTAL						80,240		
Access Rate 0.1114	Termination Ratio = 0.923077							
	1,606,640 Percent of System Minutes							
	163 Per Line Cost							
Cascabel to Benson Access 0.1114	\$ 12,961		3.8%	\$6.63				
Cascabel to San Manual Access 0.1114	\$ 4,229		1.2%	\$2.16				
TOTAL	\$ 17,190		5.0%	\$8.79				