

GIVENS PURSLEY LLP
RECEIVED



2002 OCT 25 P 12:00

AZ CORP COMMISSION
DOCUMENT CONTROL

OFFICES
277 North 6th Street, Suite 200
PO Box 2720, Boise, Idaho 83701
TELEPHONE: 208 388-1200
FACSIMILE: 208 388-1300
WEBSITE: www.givenspursley.com

Direct Dial: (208) 388-1219
E-Mail: cw@givenspursley.com

Gary G. Allen
Christopher J. Beeson
Jessica M. Borup
William C. Cole
Michael C. Creamer
Jeffrey A. De Voe
Emily MacMaster Durkee
Thomas E. Dvorak
Roy Lewis Eiguren
Timothy P. Fearnside
Jeffrey C. Fereday
Steven J. Hippler
Karl T. Klein
Debra K. Kristensen
Anne C. Kunkel

Franklin G. Lee
David R. Lombardi
D. David Lorello, Jr.
Kimberly D. Maloney
John M. Marshall
Kenneth R. McClure
Kelly Greene McConnell
Cynthia A. Melillo
Christopher H. Meyer
Kendall L. Miller
L. Edward Miller
Patrick J. Miller
Judson B. Montgomery
Angela K. Nelson
Deborah E. Nelson

W. Hugh O'Riordan
Michael C. Orr *
Kenneth L. Pursley
Bradley V. Sneed
Conley E. Ward
Robert B. White

Raymond D. Givens
James A. McClure
Stephanie C. Westermeier
OF COUNSEL
John A. Miller, LL.M. **
TAX CONSULTANT
*Licensed in Oregon only
**Licensed in Kentucky only

October 24, 2002

VIA FEDERAL EXPRESS

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

Re: Docket No.: T-02532A-00-0512
Our File: 1614-64

Dear Sir or Madam:

I am enclosing for filing, an original and ten copies of Clarification to Midvale Telephone Exchange, Inc.'s Responses to Staff's First Set of Data Requests, in the above referenced case.

I am enclosing a self-addressed stamped envelope and a copy of Midvale's responses. Please date stamp the copy and return it to me to acknowledge receipt.

Sincerely,

Tina N. Smith
Assistant to Conley Ward

Enclosures
cc: Karen Williams
S:\Clients\1614\64\corr\docket control 10-24-02.doc

Arizona Corporation Commission
DOCKETED

OCT 25 2002

DOCKETED BY

ORIGINAL

Conley E. Ward Idaho State Bar ID#1683
GIVENS PURSLEY LLP
277 North 6th Street, Suite 200
P.O. Box 2720
Boise, Idaho 83701
(208) 388-1200
(208) 388-1300 (fax)
email: cew@givenspursley.com

RECEIVED

2002 OCT 25 P 12: 08

AZ CORP COMMISSION
DOCUMENT CONTROL

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)
DISBURSEMENT FROM THE)
ARIZONA USE)**

**DOCKET NO. T-02532A-00-0512
CLARIFICATION TO MIDVALE'S
RESPONSES TO STAFF'S FIRST SET OF
DATA REQUESTS**

Midvale Telephone Exchange, Inc. ("Midvale") hereby clarifies their responses to the Commission Staff's first set of data requests in the above entitled matter. All responses were prepared by Karen Williams.

RLB-2.1 Provide a copy of a RUS rule, a letter from RUS or other substantiation for the assertion that "Midvale's RUS rural carrier status would likely be forfeited at considerable cost to Midvale's long run cost of service to other customers" if Midvale were to serve customers in the City of Scottsdale.

Response: When Midvale first contacted RUS it was verbally informed that serving customers within the Scottsdale city limits would jeopardize Midvale's rural carrier status. Since that initial response, further inquiries with RUS have produced a somewhat different response. According to the most recent advice

from RUS, serving a small number of customers inside the city limits would likely not affect Midvale's status as a rural carrier.

RLB-2.2 **Has Midvale formally communicated to RUS that a portion of its CC&N now includes certain sections within the city limits of Scottsdale and requested a finding from RUS that this territory is incidental to Midvale's total service area and should, therefore, be eligible for RUS funding? If yes, provide a copy of the response from RUS. If no, why has such a formal request not be made by the company to RUS?**

Response: No, Midvale has not formally communicated to RUS that a portion of our CC&N now includes certain sections within the city limits of Scottsdale. Informal communication has occurred, however, with both RUS and NECA. Both have advised Midvale that RUS funds cannot be used for service inside the city limits of Scottsdale, and that the applicable rules do not provide for exceptions or waivers of this requirement.

Midvale has requested a written confirmation of this advice from RUS. When that statement arrives, it will be forwarded to the Commission.

RLB-2.3 **Has Midvale formally requested a waiver from RUS of its rules so that portion of the Granite Mountain exchange that resides within the City of Scottsdale could receive RUS funding? If yes, provide a copy of the response from RUS. If no, why has such a formal request not be made by the company to RUS?**

Response: No, Midvale has not requested a waiver of RUS rules because it has been advised that waivers are not available.

RLB-2.4 What would be the impact to Midvale's ability to obtain RUS loans if the City of Scottsdale were to annex that portion of the Granite Mountain exchange that is not currently within the city limits of Scottsdale?

Response: Midvale has never been in a situation where current customers were annexed into a large metropolitan area, but we have been informally advised by RUS that a subsequent annexation would have no impact on Midvale

RLB-2.5 Has Midvale formally inquired if RUS would modify its lien on Midvale assets so Midvale could obtain a commercial loan to fund the construction of plant within the six sections that are within the City of Scottsdale? If yes, provide a copy of the response from RUS. If no, why has such a formal request not been made by the company to RUS?

Response: No such inquiry has been made because Midvale does not believe a commercial loan is practical.

RLB-2.6 Provide a copy of the pertinent portion of the Scottsdale City Code that supports the assertion that "The City of Scottsdale does not allow direct plowing of cable".

Response: Midvale does not have a copy of the Scottsdale city code. Our information is based on telephone conversations with the city planner, Steve Kaminski who told us we would not be allowed to plow, and that trenching was mandatory.

RLB-2.7 Provide the detail that supports the cost estimates that were provided in the Company's response to RLB-1.3 and RLB-1.4.

Response: Midvale has not done any engineering studies of the sections in question. The costs were estimated based on experience, distance, and knowledge of terrain, utilizing the following assumptions:

Fiber route:

- \$50,000 per mile based on costs for a recent fiber project in Idaho
- Calculated for 11 miles assuming the longest feasible route along existing roads/ROW for the sections in the City. Note that there is no existing road access between the Park and the western most sections in Scottsdale.
- Calculated for 4 miles for the sections in the Park.

Local Plant:

- Granite Mountain was engineered to need \$300,000 of local plant investment to serve 5 square miles
- To serve roughly twice the geographical area completely should take roughly twice the investment, or \$600,000.
- An additional factor was applied to estimate unknown costs associated with engineering expenses and City of Scottsdale requirements, bringing the total estimate to \$700,000.
- The sections in the Park were estimated to be less than Granite Mountain, \$220,000 is our estimate.

Remotes:

- Granite Mountain was engineered with one remote for a cost of \$27,700
- These additional sections in the city of Scottsdale will require at least three remotes (~\$90,000) and possibly lightwave equipment, hence the estimate of \$100,000.
- If Midvale were to serve just the sections in McDowell Mountain Park, we expect the cost to include two remotes (\$50,000).

Permits:

- Midvale anticipates needing permits for work in the Park as well as extensive permitting requirements for the City of Scottsdale.
- The permitting requirements for McDowell Mountain Park are unknown; \$20,000 is an estimate.

RLB-2.8 Affirm or deny that the customer identified in the Company's response to RLB-1.5 is receiving service at an address that is located within the six

sections of the Granite Mountain exchange that are located within the City of Scottsdale. If the Company's response is affirmative, please provide the name of the person or company receiving service from Qwest, the service address, the section the service address resides in, the date service was received and the telephone number(s) for the service.

Response: No written application for service has been received from anyone in the areas identified. We had one telephone inquiry from Sue Cohen, 14505 N. Hayden Road, Suite 341, Scottsdale, 85260. It is our understanding that Ms. Cohen was inquiring for her employer about service to a building in Section 11, R5E, T4N. She said that they currently have a line fed off Qwest service, but wanted to know about service for a new subdivision where they anticipate building homes in the future. Midvale has not attempted to independently verify Ms. Cohen's statements.

RESPECTFULLY SUBMITTED this 24th day of October, 2002.



Conley Ward
GIVENS PURSLEY LLP
Attorneys for Applicant

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 24th day of October 2002, 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
Richard L. Boyles
Utilities Engineering
1200 West Washington
Phoenix, Arizona 85007

U.S. Mail Fax Hand Delivery Federal Express

Maureen Scott
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

U.S. Mail Fax Hand Delivery Federal Express

Todd C. Wiley
Gallagher & Kennedy, P.A.
2575 East Camelback Rd
Phoenix, AZ 85016-9225

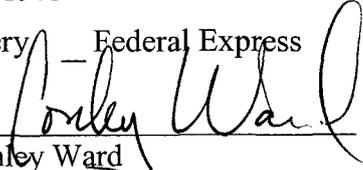
U.S. Mail Fax Hand Delivery Federal Express

Timothy Berg, Esq.
Theresa Dwyer, Esq.
3003 N. Central Ave, Suite 2600
Phoenix, AZ 85023

U.S. Mail Fax Hand Delivery Federal Express

Tamara S. Herrera
Ryley Carlock & Applewhite
101 North First Avenue, Suite 2700
Phoenix, AZ 85003-1973

U.S. Mail Fax Hand Delivery Federal Express



Conley Ward
GIVENS PURSLEY LLP
Attorneys for Applicant