

NEW APPLICATION



0000045303

RECEIVED
AZ CORP COMMISSION

U-3453-97-595



P.O. Box 217
MIDVALE, ID 83672
PHONE: 1-888-355-4RNS (4767)

OCT 29 1 13 PM '97

DOCUMENT CONTROL

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007-2996

DOCKET NO. U - 3 4 5 3 - 9 7 - 5 9 5

Dear Sirs;

This is an introductory letter further explaining the application for certificate of convenience and necessity from the commission.

Midvale Telephone Exchange, Inc. owns and operates 2 local telephone exchanges in Arizona located in Young and Cascabel. Due to the changing environment in the industry, we have formed a new company to offer long distance services in the 3 states we have local exchanges. Our primary market will be the customers we already serve in our local exchange area, however we will also pursue long distance customers in neighboring communities.

Our new company, Rural Network Services, Inc. (RNS), is part of a buying group of local telephone companies in several states. These companies have joined their minutes together and have gone to long distance wholesale companies and asked for pricing for the aggregated minutes. Our current volume for the group is approximately 15 million minutes per month.

Our president, Lane Williams, of Midvale Telephone Exchange, Inc. is a 50 per-cent owner of the phone company. He has joined myself and John Stuart as co-owners of RNS at 33 per-cent share each. Thus, MTE and RNS have a common ownership of 33 per-cent. Based on this fact, and that RNS is a new company, I have included the financial information for MTE for the last two years to help in your evaluation.

If you should need further information, please contact our office.

Sincerely,

Steve Williams

Arizona Corporation Commission

DOCKETED

OCT 29 1997

DOCKETED BY

ARIZONA CORPORATION COMMISSION

NEW APPLICATION

Application and Petition for Certificate of Convenience and Necessity to Provide Competitive Intrastate Telecommunications Services as a Reseller

Mail original plus 10 copies of completed application to: For Docket Control Only:
(Place Stamp Here)

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

If you have current applications pending in Arizona for provision of reseller, AOS, or other telecommunication services, please identify:

Type of Service: _____
Docket No.: _____ Date: _____

DOCKET NO. U - 3453 - 97 - 595

Type of Service: _____
Docket No.: _____ Date: _____

Docket No. _____

Date Docketed _____

A. Company and Telecommunications Service Information

(A-1) The name, address, and telephone number of the applicant (company):

Rural Network Services, Inc. ✓
2205 Keithley Cr. Rd.
P.O. Box 217
Midvale, ID 83645

(A-2) If doing business (dba) under a name other than the applicant (company) name listed above, specify:

Affiliated by 33% common ownership with Midvale Telephone Exchange, Inc

(A-3) The name, address, telephone number, and facsimile number of the management contact:

Steve Williams ✓
P.O. Box 217
Midvale, ID 83645

1-888-355-4767
Fax:
1-208-355-2222

Application and Petition for Competitive Reseller CC&N

(A-4) The name, address, and telephone of the attorney, if any, representing the applicant:

(A-5) What type of legal entity is the applicant?

- Sole proprietorship
- Partnership: ___ limited, ___ general, ___ Arizona, ___ Foreign
- Limited liability company
- Corporation: X "S", ___ "C", ___ non-profit, ___ Arizona, ___ Foreign ✓
- Other, specify:

(A-6) Include "Attachment A." Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

- (A-7) 1. Is your company currently reselling telecommunication service in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona. NO ✓
2. If the answer to 1. is "yes", identify the types of telecommunications services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data are available. Note: The Commission rules require that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators.
3. If the answer to 1. is "no", when does your company plan to begin reselling service in Arizona?
As soon as possible per commission rules

(A-8) Include "Attachment B." Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, state the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the "Illustrative Tariff/Price List Example" attached. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for the procedures to make price list changes that result in rates that are higher than the tariff rate.

(A-9) The geographic market to be served is:

statewide.

other, describe and provide a map depicting the area.

(A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona.

Idaho, Oregon

(A-11) Provide the name, address, and telephone number of the company's complaint contact person.

Li Li Williams
P.O. Box 217
Midvale, ID 83645

1-888-355-4767

(A-12) Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority with major changes and conditions or did not grant your application for those services. For each state listed, provide a copy of the commission's decision modifying or denying your application for authority to provide telecommunications services.

None

(A-13) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If "yes", provide copies of the state regulatory commission's decision revoking its authority.

No

(A-14) Has the company been or is the company currently involved in any formal complaint proceedings before any state or federal regulatory commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of commission orders that have resolved any of these complaints.

NO ✓

(A-15) Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which states has the applicant been involved in investigations and why is the applicant being investigated?

NO ✓

(A-16) Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

NO

B. Technical Information

(B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section. MCI, IXC ✓

Include "Attachment C." Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic).

(B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 10XXX access, if your system becomes non-operational?

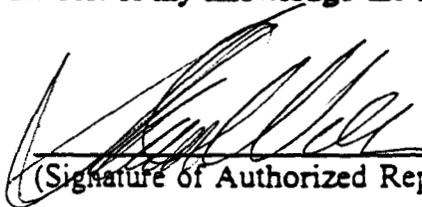
Yes ✓

C. Financial Information

(C-1) Include "Attachment D." Attachment D should provide copies of the following audited financial information for the most recent two years for all Arizona operations. Check boxes indicating items attached.

- current intrastate balance sheet
- current intrastate income statement
- current intrastate cash flow statement
- other financial information evidencing financial resources.

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations related to the regulation of telecommunications services and that the company will abide by Arizona State law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.



(Signature of Authorized Representative)

7/15/97

(Date)

STEVE WILLIAMS

(Printed Name of Authorized Representative)

TREASURER

(Title)

SUBSCRIBED AND SWORN to before me this 15th day of July, 1997

Lenora Reberman

NOTARY PUBLIC

My Commission Expires 4-14-2003

State of Idaho

Department of State

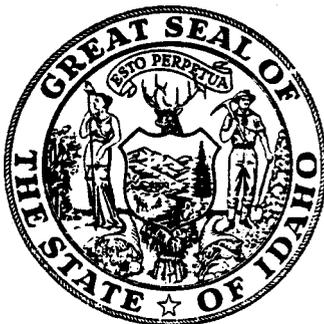
CERTIFICATE OF INCORPORATION
OF

RURAL NETWORK SERVICES, INC.
File number C 118654

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Incorporation for the incorporation of the above named corporation, duly signed pursuant to the provisions of the Idaho Business Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Incorporation and attach hereto a duplicate original of the Articles of Incorporation.

Dated: March 13, 1997



Pete T. Cenarrusa
SECRETARY OF STATE

By *Sheryl Reeves*

Tim Felton
Attorney at Law
P. O. Box 267
Weiser, Idaho 83672-0267
(208) 549-3763

DEC 31 8 49 AM '96
SECRETARY OF STATE
STATE OF IDAHO

**ARTICLES OF INCORPORATION
OF
RURAL NETWORK SERVICES, INC.**

The undersigned incorporator, desiring to form a corporation pursuant to the Idaho Business Corporation Act, adopts the following articles of incorporation:

Article I: NAME

The name of the corporation shall be: Rural Network Services, Inc.

Article II: DURATION

The period of its duration is perpetual.

Article III: PURPOSE

The purpose for which the corporation is formed is:

- A. To provide long distance telephone services, and
- B. The transaction of any or all lawful business for which corporations may be incorporated under the Idaho Business Corporation Act.

Article IV: REGISTERED OFFICE AND REGISTERED AGENT

The address of the registered office of the corporation in the State of Idaho is: 2203 Keithly Creek Road, City of Midvale, County of Washington, State of Idaho 83645, and the name of the initial registered agent at such address is: Lane Williams.

Article V: INCORPORATORS

The names and addresses of each incorporator is:

<u>Name</u>	<u>Address</u>
Lane Williams	2203 Keithly Creek Road Midvale, Idaho 83645

Article VI: DIRECTORS

The corporation shall be governed by a board consisting of three directors, which number may be changed by the bylaws of the corporation. Directors shall be stockholders in the corporation and shall be elected by the stockholders.

The number of directors constituting the initial board of directors is three, and the name and address of the person who shall serve as director until his successor is elected and qualified is:

<u>Name</u>	<u>Address</u>
Lane Williams	2203 Keithly Creek Road Midvale, Idaho 83645
John Stuart	823 West First 0900 Weiser, Idaho 83672
Steve Williams	2205 Keithly Creek Road Midvale, Idaho 83645

Mar 13 8 52 AM '97
SECRETARY OF STATE
STATE OF IDAHO

IDAHO SECRETARY OF STATE
DATE 03/13/1997
0900 72576 2
CK #: 3072 CUST# 74013
CORP 1@ 100.00= 100.00

*: C

Article VII: SHARES OF STOCK

The aggregate number of shares of stock that the corporation is authorized to issue is one thousand shares, which shares shall be common stock having no par value.

Article VIII: PREEMPTIVE RIGHTS

Provisions denying preemptive rights are: None.

Article IX: INTERNAL REGULATION

Provisions for the regulation of the internal affairs of the corporation are: None.

IN WITNESS WHEREOF, the undersigned have executed these articles of incorporation at Midvale, Idaho, this 27 day of December, 1996.


Lane Williams

STATE OF IDAHO)
) ss.
County of Washington)

On this 27 day of December, 1996, before me, the undersigned, a Notary Public for Idaho, personally appeared Lane Williams, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.


Notary Public for Idaho
Residing at: Midvale, ID
Commission expires: 3/9/98

MIDVALE TELEPHONE EXCHANGE, INC.
SEPARATE ACCOUNTING OF ARIZONA OPERATIONS
For the Year Ended December 31, 1995

OPERATING REVENUES	
Basic local network services	\$ 97,768
Network access services	495,393
Other services - net	<u>9,451</u>
Total Operating Revenues	<u>602,612</u>
OPERATING EXPENSES	
Plant specific operations	78,247
General plant administration	35,045
Customer operations	48,466
Corporate operations	163,959
Depreciation expense	238,594
Property taxes	38,317
Interest expense	<u>57,874</u>
Total Operating Expenses	<u>660,502</u>
Net Operating Loss	(57,890)
STATE INCOME TAX PAID	<u>(2,300)</u>
Net Loss	<u>\$ (60,190)</u>
OTHER FINANCIAL DATA	
Telecommunication Plant in Service AZ	<u>\$ 2,245,120</u>
Accumulated Depreciation	<u>\$ 666,351</u>

Note: Acquired Young, Arizona Exchange from U.S. West April, 1995 for a net cost of \$630,000. U.S. West original cost \$964,056 and reserve balance at acquisition date of \$556,685.

MIDVALE TELEPHONE EXCHANGE, INC.

2205 Keithley Creek Road
Midvale, ID 83645

542-2129

208 355 2211 - FAX 208 355 2222

FAX Cover Sheet

Date: 10/23 Time: _____

Sender Name: STEG WILSON

Total pages including cover sheet: 1

Hard copy will _____ will not follow in mail.

Deliver to: Company: AZ COOP COMM

Attention: CARMEN MADDO

FAX Number: _____

Voice Number: _____

Message: _____

**TELECOMMUNICATIONS COMPANIES
COMPARATIVE BALANCE SHEET - ASSETS
TOTAL SYSTEM**

COMPANY: Midvale Telephone Exchange, Inc.

Year end December 31, 1995

AXPAYER #: 82-0238162

Line	Title of Accounts	Balance End of Year	Balance Beginning of Year
		(\$000)	
ASSETS			
PLANT ASSETS			
1.	Operating Plant-In-Service	8,105,283	5,335,135
2.	Satellite Earth Stations	257,413	38,648
3.	Plant Acquisition Adjustment	8,362,696	5,373,783
4.	SUBTOTAL	2,417,030	(1,865,706)
5.	(Less) Deprec. & Amort. Reserve	5,945,666	
6.	(Less) Deprec.-Satellite Earth Sta.		
7.	Net Plant-in-Service (Operating)		
8.	Net Plant Held for Future Use		435,911
9.	Plant Under Construction		
10.	Net Non-Operating Property		
11.	TOTAL PLANT ASSETS	5,945,666	3,943,988
CURRENT ASSETS			
12.	Cash or Near Cash Equiv.	138,526	193,643
13.	Notes Receivable (Net)	447,293	206,157
14.	Accounts Receivable (Net)	96,154	85,699
15.	Materials & Supplies		
16.	Inventory Held For Sale	283,745	168,108
17.	Prepayments		22,171
18.	Other Current Assets		
19.	TOTAL CURRENT ASSETS	965,718	675,778
INVESTMENTS & OTHER ASSETS			
20.	Investments to Affiliated Cos.	1,789,573	1,773,253
21.	Other Investments	52,556	
22.	Deferred Charges		
23.	Intangibles	62,290	47,073
24.	Other Noncurrent Assets		
25.			
26.	TOTAL INVESTMENTS & OTHER ASSETS	1,904,419	1,820,326
27.	TOTAL ASSETS	8,815,803	6,440,092

**TELECOMMUNICATIONS COMPANIES
COMPARATIVE BALANCE SHEET - LIABILITIES & STOCKHOLDERS' EQUITY**

TOTAL SYSTEM

COMPANY: Midvale Telephone Exchange, Inc.

Year End December 31, 1995

TAXPAYER #: 82-0238162

Line No.	Title of Accounts	Balance End of Year (5000)	Balance Beginning of Year
LIABILITIES			
CURRENT LIABILITIES			
1.	Notes Payable		
2.	Accounts Payable	348,055	193,462
3.	Customers' Depositors/Advance Bill.		1,325
4.	Current Maturities-Capital Leases		6,226
5.	Current Maturities-Interest & Div.		
6.	Current Maturities-Long Term Debt	536,348	91,223
7.	Income Tax Accrued	5,045	30
8.	Other Current Liabilities	58,977	55,213
9.	TOTAL CURRENT LIABILITIES	948,425	347,479
LONG TERM DEBT			
10.	Funded Debt		
11.	Obligations Under Capital Leases		562
12.	Advances From Affiliated Cos		
13.	Other Long Term Debt	5,217,740	3,757,612
14.			
15.	TOTAL LONG TERM DEBT	5,217,740	3,758,375
OTHER LIABILITIES			
16.	Deferred Investment Tax Credits		
17.	Deferred Income Taxes	869,413	750,287
18.	Deferred Credits		
19.	Other Non-Current Liabilities		
20.			
21.	TOTAL OTHER LIABILITIES	869,413	750,287
STOCKHOLDERS' EQUITY			
22.	Common Stock (Issued)	25,000	25,000
23.	Additional Paid-in-Capital & Share Premium	7,910	7,910
24.	Retained Earnings	769,404	546,958
25.	(Less) Treasury Stock	(64,000)	(64,000)
26.	(Less) Discount on Common Stock		
27.	(Less) Common Stock Expenses Other Capital	1,041,911	1,068,284
28.	COMMON STOCK EQUITY	1,780,225	1,584,152
29.	Preferred Stocks		
30.	TOTAL STOCKHOLDERS' EQUITY	1,780,225	1,584,152
31.	TOTAL LIABILITIES & EQUITY	8,815,803	6,440,092

**TELECOMMUNICATIONS COMPANIES
COMPARATIVE INCOME STATEMENT**

TOTAL SYSTEM

COMPANY: Midvale Telephone Exchange, Inc.

Year End December 31, 1995

TAXPAYER #: 82-0238162

LINE NO.	TITLE OF ACCOUNTS	1995	1994
1.	Total Operating Revenue	2,347,765	1,895,260
2.	Custom Calling Services		
3.	Intra-LATA Long Distance		
4.	Access Charges		
5.	Operation & Maintenance	651,547	606,392
6.	General and Administrative Expense	574,527	527,814
7.	Other Operating Expense		
8.	Depreciation & Amortization	557,853	274,546
9.	Other Operating Taxes	68,541	56,909
10.	Total Allocated Expenses (included in 5-9)		
11.	Earnings Before Interest & Taxes (1 minus 4-9)	563,838	429,599
12.	Operating Income Taxes	68,541	
13.	If No Income Taxes Paid - Estimate Using Effective Tax Rate (%) of Parent	142,278	94,830
14.	Net Operating Income (11 minus 12)	353,019	334,769
15.	Non-Operating Income:		
	a. Interest Income (excludes 15.b)		3,331
	b. Allowance For Funds Used During Construction (AFUDC)		
	c. Other Non-Operating Income	57,019	
	Total	57,019	3,331
16.	Total Income (14 plus 15)	410,038	338,100
17.	Interest & Other Funded Debt Expenses	187,592	179,517
18.	Other Non-Operating Taxes		
19.	Non-Operating Income Taxes		
20.	Other Non-Operating Expenses		15,927
21.	Income Before Extraordinary Expenses (16 minus 17-20)	222,446	142,656
22.	Extraordinary Income/Expenses		
23.	Net Income (21 minus 22)	222,446	142,656
24.	Preferred Dividends	None	None
25.	Common Stock Dividends	None	None

MIDVALE TELEPHONE EXCHANGE, INC.

SEPARATE ACCOUNTING OF ARIZONA TELEPHONE OPERATIONS

For the Year Ended December 31, 1996

OPERATING REVENUES

Basic local network services	\$ 127,788
Network access services	559,327
Other services	19,353
Uncollectable revenues	<u>(8,508)</u>

Total Operating Revenues 697,960

OPERATING EXPENSES

Plant specific operations	114,367
General plant administration	52,912
Customer operations	64,586
Corporate operations	230,574
Depreciation expense and amortization	198,552
Property taxes	57,445
Interest expense	<u>30,638</u>

Total Operating Expenses 749,074

Net Operating Loss \$ (51,114)

OTHER FINANCIAL DATA

Telecommunication Plant in Service AZ \$ 2,542,498

Accumulated Depreciation \$ 796,438

8. STATEMENT OF FINANCIAL CONDITION (Required by A.R.S. §10-125.A.9.)

Complete the following Balance Sheet: OR

- attach a copy of Schedule L, Form 1120 filed with either the Internal Revenue Service or Arizona Department of Revenue; OR
- attach a copy of the corporation's financial statement as provided to shareholders pursuant to A.R.S. §10-052.E. Books and Records; OR
- attach a copy of your Financial Report to Shareholders as required by A.R.S. §10-127, OR
- if no business conducted this fiscal year, so state.

BALANCE SHEET

ASSETS

Current Assets:

Cash	\$ 163,449
Trade notes and accounts receivable (less allowance for bad debts)	<u>477,299</u>
Inventories	<u>104,776</u>
Other current assets	<u>10,466</u>
Total Current Assets	\$ 755,990

Investments	<u>727,497</u>
Land, buildings and other fixed assets (net of accumulated depreciation)	<u>10,214,302</u>
Intangible assets (net of amortization)	<u> </u>
Loans to shareholders	<u> </u>
Other assets	<u>26,278</u>

Total Assets **\$ 11,724,067**

LIABILITIES AND OWNERS' EQUITY

Current Liabilities:

Accounts Payable	\$ 481,302
Mortgages, notes, bonds (payable in less than 1 year)	<u>723,506</u>
Other current liabilities	<u>457,029</u>
Total current liabilities	\$ 1,661,837

Mortgages, notes, bonds (payable in more than 1 year)	<u>7,443,071</u>
Loans from shareholders	<u> </u>
Other liabilities	<u>704,785</u>

Total Liabilities **\$ 9,809,693**

Capital stock:	(a) Preferred stock	<u>25,000</u>	<u>25,000</u>
	(b) Common stock	<u> </u>	<u>7,910</u>
Paid-in or capital surplus		<u> </u>	<u>(64,000)</u>
Less cost of treasury stock		<u> </u>	<u>1,945,464</u>
Retained earnings		<u> </u>	<u> </u>

Total Capital **\$ 1,914,374**

TOTAL LIABILITIES AND EQUITY **\$ 11,724,067**

RNS long distance plans
Revised: 6/16/97

Interstate

1. Flat rate of 14 cents per minute (cents/min) 24 hours a day
2. Flat rate of 11 cents/min 5:00 p.m. to 8:00 a.m. and
19 cents per minute 8:00 a.m. to 5:00 p.m.
3. Flat rate of 10 cents/min 24 hours a day with service charge of 4.50 per month-
Available to residential customers only, and measured in one minute increments.
4. 800 calls will be a flat 15 cents/min 24 hours a day

NOTE: IN EACH OF THE ABOVE PLANS RATES ARE \$.05 CENTS/MIN HIGHER FOR ALASKA AND \$.02 CENTS/MIN HIGHER FOR HAWAII

5. Calling card rates will be 20 cents/min 24 hours a day.

Intra-state

Arizona;

19 cents/min days (8:00 a.m. to 5:00 p.m.) and 13 cents/min eves., nights, and weekends. Calling card services are offered at 25 cents/min 24 hours a day.

800 calls 16 cents/min

Calls of less than 16 miles distance will have an optional plan of 10 cents/min with surcharge of 5.00 per month.

*All plans measured in 6 sec. increments with a 30 sec. minimum except where noted.

** All of the above rates are both the maximum rates for tariff purposes and what we plan to charge.