



ORIGINAL NEW APPLICATION

Shaw, Schlegel & Horton, Law



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February 15, 2007

2007 FEB 16 P 2:41

AZ CORP COMMISSION
DOCUMENT CONTROL

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

**Re: Midvale Telephone Exchange, Inc.
Application for Financing Approval**

T-02532A-07-0102

Dear Sir/Mam:

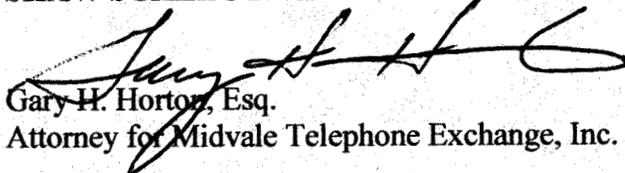
Midvale's original application for financing approval along with 13 copies is enclosed. The financing sought is standard form RUS financing. The RUS has considered Midvale's application and approval is pending Arizona Corporation Commission approval. Midvale requests that the Commission give its application expeditious consideration.

A complete copy of the Midvale's 100+ page RUS financing application will be provided upon Commission Staff request. If you have any question or comment regarding Midvale's application, please direct them to Gary Horton at the number above.

Thank you for your consideration.

Yours truly,

SHAW SCHLEGEL & HORTON Law Office, P.L.L.C.

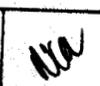

Gary H. Horton, Esq.
Attorney for Midvale Telephone Exchange, Inc.

GHH/gh

Encl.

Arizona Corporation Commission
DOCKETED

FEB 16 2007

DOCKETED BY 

1 Gary H. Horton, Esq.
Bar No.: 021517
2 **SHAW SCHLEGEL & HORTON Law Office, P.L.L.C.**
649 East Cottonwood St. #1
3 Cottonwood, Arizona 86326
928-646-7348
4 Attorney for Midvale Telephone Exchange, Inc.

5
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7
8 **COMMISSIONERS**

JEFF HATCH-MILLER – Chairman
9 WILLIAM A. MUNDELL
MIKE GLEASON
10 KRISTIN K. MAYES
GARY PIERCE

11
12 **IN THE MATTER OF MIDVALE
TELEPHONE EXCHANGE INC.'S
13 APPLICATION FOR FINANCING
APPROVAL**

DOCKET NUMBER: _____

**APPLICATION FOR FINANCING
APPROVAL**

(EXPEDITED APPROVAL REQUESTED)

14
15
16 Midvale Telephone Exchange, (hereinafter “Midvale” or “Applicant”), through counsel,
17 provides the following information in support of its application for financing approval pursuant
18 to Arizona Revised Statutes §§ 40-301 and 40-302. Midvale has received approval through the
19 U.S. Department of Agriculture Rural Utilities Service (“RUS”) for financing in the amount of
20 \$10,163,722. Midvale seeks Arizona Corporation Commission (“Commission”) approval of the
21 RUS loan.

22 **I. INTRODUCTION**

23 After due consideration and scrutiny, RUS has approved Midvale’s application for financing.
24 The states of Oregon and Idaho have also given their approval for Midvale to go forward with
25 the financing. Midvale will use the majority of the loan funds to construct and improve its

1 telephone service in Arizona. Arizona approval is the final step before Midvale can receive the
2 proceeds and use them to improve service in Arizona.

3 Midvale's loan application has been rigorously scrutinized and subsequently approved by the
4 lender itself. Midvale requires this Commission's approval before acquiring the funds and
5 working to improve telephone service in Arizona. Midvale therefore requests expedited
6 approval of its Application for Financing Approval.

7 **II. THE APPLICANT**

8 The applicant's exact name and the address of its principle business office is:

9 Midvale Telephone Exchange, Inc.,
10 P.O. Box 7
2205 Keithley Creek Road
11 Midvale, Idaho, 83645

12 **III. DESIGNATED CONTACT**

13 The name and address of the person authorized, on behalf of the applicant, to receive notices
14 and communications regarding this application is:

15 Gary H. Horton
Shaw Schlegel & Horton Law Office, P.L.L.C.
16 649 East Cottonwood St., #1
Cottonwood, Arizona, 86325
17 Telephone: 928-646-7348
Email: ghorton_57@msn.com

18 **IV. FINANCING DESCRIPTION**

19 Applicant has received approval for RUS financing in the amount of \$10,364,820. Applicant
20 respectfully requests that the Commission approve Applicant's execution of the notes securing
21 the RUS financing. Applicant has also received approval through the RUS to apply for interim
22 financing in the form of a line of credit through the Rural Telephone Finance Cooperative.

23 **V. LOAN TERMS**

24 The RUS construction loan contains standard terms for hardship notes. The interest on the
25 loan will be five percent (5%). Loan repayment will be over a term of fifteen years. The loan

1 amount will be drawn down by the applicant as projects are completed and monies are required
2 to move on to subsequent additions and improvements. For approximately the first two years
3 repayment amounts will be credited to interest only. Copies of relevant portions of Applicant's
4 RUS Application for Telecommunications Loan or Loan Guarantee will be provided to
5 Commission Staff under separate cover.

- 6 a. The purpose of the loan is to create three new service areas serving 441 proposed
7 subscribers in the Millsite, AZ exchange at a cost of \$2,323, 229; system
8 additions for 400 new subscribers in the Granite Mountain, AZ exchange at a cost
9 of \$1,043,454, and system improvement to all of Applicant's thirteen exchanges
10 at a cost of \$6,998,137. Expected use of the proceeds is as follows:

11	i. COE	\$1,374,658
12	ii. Electronics	1,631,200
13	iii. Outside Plant	5,309,894
14	iv. Removals	21,500
15	v. Permits	75,000
16	vi. Engineering	<u>1,952,568</u>
17	TOTAL LOAN	\$10,364,820

18 The initial draw from the RUS loan will be used to repay the RTFC line of credit designed to
19 assist applicant in meeting short term cash needs while awaiting distribution of the RUS
20 construction loan proceeds. The amount of the RTFC loan is included in the RUS loan amount
21 and will be paid in full upon receipt of the RUS construction loan proceeds. These proceeds can
22 be obtained by the applicant soon after Commission approval of this application.

23 **VI. PUBLIC INTEREST CONSIDERATIONS**

24 Approval of the proposed financial arrangement described herein serves the public interest in
25 the universal provision of telecommunications services to all Arizona citizens. Approval of this
financing provides Midvale with the opportunity to expand and improve its service areas through
access to greater financial resources. Midvale will be better positioned to utilize available funds

1 so that it can provide expanded services to benefit Arizona consumers more quickly and
2 efficiently. This transaction will be transparent to consumers and will not affect the rates of
3 Midvale's services. In addition, consumers will benefit from the continued receipt of quality
4 telecommunications services that are competitively priced.

5 The public interest is best served with the presence of numerous telecommunications
6 providers in Arizona. Providing competing telecommunications providers with ample financing
7 to carry on business is vital as long as such financing carries no adverse impact on the public.
8 Denial of adequate financing will serve to discourage competitors from entering the Arizona
9 market and to seek more favorable regulatory environments elsewhere. Such results are clearly
10 not in the public interest.

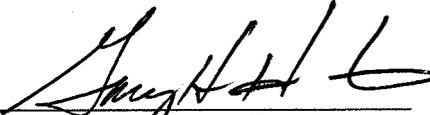
11 Arizona consumers will benefit from the expansions and improvements to telephone
12 communications in Arizona. The transaction will be transparent to all customers and will not
13 affect rates. The financing will not impair Midvale's financial status, nor impair its ability to
14 provide outstanding service at reasonable rates.

15 **VII. CONCLUSION**

16 For the reasons stated above, Applicant submits that the public interest, convenience and
17 necessity will be furthered by expeditious Commission approval of Midvale's RUS financing
18 request. Midvale respectfully requests expedited Commission approval of RUS financing.

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20 RESPECTFULLY SUBMITTED this 15th day of February, 2007.

21 SHAW SCHLEGEL & HORTON LAW OFFICE, P.L.L.C.

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25 Gary H. Horton, Esq.

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Original and 13 copies of the foregoing
mailed this 15th day of ~~January~~, 2007 to:

Feb
Docket Control
Arizona Corporation Commission
1200 West Washington St.
Phoenix, Arizona 85007-2996

Copies of the foregoing mailed this
15th day of ~~January~~, 2007 to:

February
Lynn Farmer, Esq.
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington St.
Phoenix, Arizona 85007-2996

Christopher C. Kempley, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington St.
Phoenix, Arizona 85007-2996

Ernest G. Johnson, Esq.
Director, Utilities Division
Arizona Corporation Commission
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Phoenix, Arizona 85007-2996

By: Chew Beadden