

ORIGINAL  
OPEN MEETING



410

RECEIVED  
MEMORANDUM

2005 SEP 15 P 4: 59

TO: THE COMMISSION

FROM: Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: September 15, 2005

RE: IN THE MATTER OF THE APPLICATION OF VALLEY TELECOMMUNICATIONS COMPANY FOR APPROVAL OF THE TRANSFER AND SALE OF A CELLULAR LICENSE AND CERTAIN RELATED ASSETS TO VERIZON WIRELESS (VAW) LLC, D/B/A VERIZON WIRELESS (DOCKET NO. T-02739A-05-0205)

On March 18, 2005, Valley Telecommunications Company ("Valley") and Verizon Wireless (VAW) LLC ("Verizon Wireless") filed, with the Arizona Corporation Commission ("Commission"), an application for approval of the transfer and sale of its cellular license and certain related assets in the Cellular Geographic Area, Arizona 6 B-1 ("Arizona 6 B-1") service area to Verizon Wireless.

On August 13, 1962, Valley Telephone Cooperative ("VTC") received a Certificate of Convenience and Necessity to provide telecommunications service as an Incumbent Local Exchange Company in the State of Arizona. On June 22, 1994, the Commission, in Decision No. 58670, approved the transfer of cellular assets and certificate of convenience and necessity to provide cellular ("wireless") service in various parts of Graham, Greenlee and Cochise Counties from Southwest Arizona Cellular Wireless Limited Partnership to VTC's subsidiary, Valley.

Verizon Wireless is a joint venture of Verizon Communications, Inc. and Vodafone with over 47 million current customers in the United States. Verizon Wireless is engaged in the marketing, selling and provision of wireless telecommunications services in the Americas and Europe.

Valley has indicated that the assets to be transferred include its cellular license and certain microwave licenses issued by the Federal Communications Commission ("FCC"). Also included in this sale of assets are Valley's files, books of account and contract rights, including contracts to provide wireless services to customers in the Arizona 6 B-1 service area. In addition, other permits, rights-of-way, supplies, inventory and equipment, including cell site towers, ground shelters and base station equipment are included in this transfer and sale of assets. On March 1, 2005, the FCC granted approval of this transaction.

Valley has no employees. All individuals assigned to Valley's wireless network are employed by Valley's parent company, VTC. Valley stated that every effort will be made to retain all of these individuals after the transaction and stated that it "believes that employees working in the cellular side of the business can be redeployed within the" other VTC affiliates.

Valley indicated that it currently provides wireless service to 11,413 customers in Arizona. Those customers are currently enrolled in rate plans ranging from \$9.99 per month to \$13,995 per month depending on the number of minutes and additional handsets needed. According to Valley, 49 percent of its current customers are enrolled in wireless plans with monthly access charges of \$29.95 (plus any applicable additional minute charges) per month or less. Valley has indicated that it has provided initial notices informing its wireless customers of this transaction in both Spanish and English. Valley stated that it provided all customers with notice of this transaction (in English), via a bill insert, on or about July 20, 2005. Valley also stated that a second, more detailed notice (in English) was mailed to all Valley customers as a stand-alone mailing on or about August 1, 2005. Valley further stated that a Spanish version of the second notice was sent to all Valley customers, via a bill insert that was included with the bills, on or about August 20, 2005.

Verizon Wireless has indicated that although Valley customers will be transferred to more expensive plans offering more service(s), those customers will receive credits that offset the difference in monthly rates for as long as they are customers of the plan to which they are transferred. Verizon Wireless further indicated that the amount of credit received will not increase if the monthly access charge of the plans Valley customers are transferred to increases<sup>1</sup>. Please refer to Attachment A.

Verizon Wireless stated that Valley's customer's current contract end dates will apply once transferred to Verizon Wireless and that regardless of the length of their current contracts with Valley, the credits that offset the difference in rates will apply indefinitely. Verizon Wireless also stated that any deposits held by Valley would be transferred to and honored by Verizon Wireless. Finally, Verizon Wireless stated that a transferred Valley customer, who is currently under Valley wireless contract, may cancel their Verizon Wireless service without incurring an early termination fee (\$175), within 30 days of receiving his or her first billing statement in effect, an end user will have 60 days to cancel Verizon Wireless service. If a customer decides to terminate service with Verizon Wireless and chooses to be a customer of a different wireless provider, he or she may choose from Sprint Nextel Co., T-Mobile and Alltel Communications who also provide service in the Arizona 6 B-1 service area.

Staff has reviewed the different elements of the plans which Valley customers will be placed on upon being transferred to Verizon Wireless. In general, Staff believes the elements of the Verizon Wireless plans are more favorable. However, there are isolated instances when specific elements of the Verizon Wireless plans are more expensive than the elements of the Valley plans. Those instances include higher rates for additional minutes and/or long distance. Staff also believes that the rate differentiation is balanced by additional features of the Verizon Wireless plans. Those features include additional plan minutes, Night & Weekend Minutes, larger calling areas and/or free roaming, no long distance charges in Arizona and current technology.

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<sup>1</sup> For example, if a customer is transferring to a Verizon Wireless plan with a monthly access fee of \$25.00, he/she will receive a credit of \$5.05 and the actual amount paid is \$19.95. If that monthly access fee increases to \$28.50, the credit will remain unchanged and the actual amount paid is \$23.45.

While Valley currently utilizes a Time Division Multiple Access network, Verizon Wireless utilizes a Code Division Multiple Access ("CDMA") network. Benefits of the CDMA network utilized by Verizon Wireless include increased signal integrity, increased talk times, more secure transmissions and special service features such as data, integrated voice and data, fax and tiered services. Verizon Wireless indicated that quality of service for non-Verizon Wireless customers traveling through the Arizona 6 B-1 service area will improve as well. Because the handsets of the different networks are not compatible, Valley's current customers will need to replace their existing handsets with a Verizon Wireless handset. Verizon Wireless has stated that four different handsets will be made available. One of which, the LG VX3300, will be offered at no charge to Valley customers.

Staff believes that Valley meets the definition of a public service corporation under the Arizona Constitution and Revised Statutes and that the wireless assets at issue are useful in Valley's duties to the public. Accordingly, Staff believes this transaction falls under the provisions of Arizona Revised Statute Section 40-285A.

Verizon Wireless has indicated that prior to the actual transition date, customer notification letters informing Valley customers about the transaction will be mailed to all Valley customers. Information included in these notification letters includes:

1. Notice that although current Valley customers will be transferred to more expensive Verizon Wireless plans, offering more service(s), they will receive credits that offset the difference in rates for as long as they are customers of the plan they are transferred to.
2. Elements of the Verizon Wireless plans those customers will be placed on.
3. The amount of time a customer will have to cancel Verizon Wireless service without being subject to an early termination fee (within 30 days of receiving his or her first billing statement).
4. Information concerning the replacement handsets that will be available to all Valley customers.

Staff has reviewed the language to be used in these customer notices and believes the above items are adequately addressed.

Valley indicated that a substantial portion of the proceeds collected from this transaction will be used to pay off outstanding debt. Valley has indicated that other proceeds from this transaction may be used by Valley or distributed to existing or future affiliates, including Valley Connections, to provide enhanced broadband services in southeast Arizona.

THE COMMISSION

September 15, 2005

Page 4

Staff recommends that Valley customers shall be given at least sixty days to replace their existing handset.

Staff recommends the approval of the transfer and sale of cellular license and certain cellular assets from Valley to Verizon Wireless.



Ernest G. Johnson  
Director  
Utilities Division

EGJ:AJL:lm\CCK

ORIGINATOR: Adam Lebrecht

## Comparison of Current Valley Plans and the Verizon Plans Valley Customers Will Be Transferred To

	<u>Current Valley Plan</u>	<u>Verizon Plan Cust. Will be Transferred To.</u>
<b>Plan Name</b>	<u>Valley Basic 20</u>	<u>Digital Choice 25</u>
<b>Price Per Month</b>	\$9.95	\$15.00- \$5.05 Credit <b>Total \$9.95</b>
<b>No. of Included Minutes</b>	20	25 + 250 N/W minutes
<b>Additional Minute</b>	\$0.39/ minute	\$0.45/ minute
<b>AZ Long Distance</b>	\$0.18/ minute	\$0.00
<b>Free Roaming Area</b>	Sierra Vista	AZ, NM, CO, S-Cal, Vegas
<b>Domestic LD</b>	\$0.18/ min	\$0.15/ min
<b>AZ Roaming beyond Area</b>	\$0.39/minute	All of AZ is included
<b>Beyond AZ Roaming</b>	Roaming + LD	AZ, NM, CO, S-Cal, Vegas (free); beyond these areas is \$0.65/ minute
<b>Plan Name</b>	<u>Valley Basic 30</u>	<u>VzW Save 50</u>
<b>Price Per Month</b>	\$9.95	\$20.00-\$10.05 credit <b>Total \$9.95</b>
<b>No. of Included Minutes</b>	30 anytime	50 anytime + 250 N/W
<b>Additional Minute</b>	\$0.39/ minute	\$0.45/ minute
<b>AZ Long Distance</b>	\$0.15/ minute	\$0.00
<b>Free Roaming Area</b>	Cochise, Graham Greenlee	AZ, NM, CO, So-Cal, Vegas
<b>Domestic LD</b>	\$0.15/ minute	\$0.20/ minute
<b>Beyond AZ Roaming</b>	\$0.49-\$0.79+ LD	\$0.69
<b>Plan Name</b>	<u>Valley Plan Name</u> <u>Valley Arizona 100</u>	<u>Verizon Wireless Plan Name</u> <u>Digital Choice 100</u>
<b>Price Per Month</b>	\$19.95	\$25.00- \$5.05 credit <b>Total \$19.95</b>
<b>No. of Included Minutes</b>	100 anytime	100 anytime + 1000 N/W
<b>Additional Minute</b>	\$0.35/ minute	\$0.45/ minute
<b>AZ Long Distance</b>	\$0.00	\$0.00
<b>Free Roaming Area</b>	AZ	AZ, NM, CO, So-Cal, Vegas
<b>Domestic LD</b>	\$0.15/ minute	\$0.20/ minute
<b>Beyond AZ Roaming</b>	\$0.49-\$0.79 + LD/ min	All of AZ is included. Beyond AZ is \$0.69/ minute
<b>Plan Name</b>	<u>Valley Arizona 300</u>	<u>Digital Choice 500</u>
<b>Price Per Month</b>	\$29.95	\$39.99- \$10.04 credit <b>Total \$29.95</b>
<b>No. of Included Minutes</b>	300 (shared)	500 (shared) + unlimited N/W and IN calling
<b>Additional Minute</b>	\$0.29/ Minute	\$0.45/ min
<b>AZ Long Distance</b>	\$0.00	\$0.00
<b>Free Roaming Area</b>	AZ	AZ, NM, CO, So-Cal, Vegas
<b>Domestic LD</b>	\$0.15/ minute	\$0.20/ minute
<b>Beyond AZ Roaming</b>	\$0.49-\$0.79+ LD/ minute	\$0.69/ minute

<b>Plan Name</b>	<u>Valley Arizona 500</u>	<u>Digital Choice 500</u>
<b>Price Per Month</b>	\$39.95	\$39.99
<b>No. of Included Minutes</b>	500 anytime	500 + unlimited N/W and IN calling
<b>Additional Minute</b>	0.27/ minute	\$0.45/ minute
<b>AZ Long Distance</b>	\$0.00	\$0.00
<b>Free Roaming Area</b>	AZ	AZ, NM, CO, So-Cal, Vegas
<b>Domestic LD</b>	\$0.15/ minute	\$0.20/ minute
<b>Beyond AZ Roaming</b>	\$0.49-\$0.79+ LD/ minute	\$0.69/ minute

**N/W- Night and Weekend**

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

IN THE MATTER OF THE APPLICATION OF VALLEY TELECOMMUNICATIONS COMPANY FOR APPROVAL OF THE TRANSFER AND SALE OF A CELLULAR LICENSE AND CERTAIN RELATED ASSETS TO VERIZON WIRELESS (VAW) LLC, D/B/A VERIZON WIRELESS	}	DOCKET NO. T-02739A-05-0205  DECISION NO. _____  <u>ORDER</u>
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Open Meeting  
September 27 and 28, 2005  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On March 18, 2005, Valley Telecommunications Company (“Valley”) and Verizon Wireless (VAW) LLC (“Verizon Wireless”) filed, with the Arizona Corporation Commission (“Commission”), an application for approval of the transfer and sale of its cellular license and certain related assets in the Cellular Geographic Area, Arizona 6 B-1 (“Arizona 6 B-1”) service area to Verizon Wireless.
2. On August 13, 1962, Valley Telephone Cooperative (“VTC”) received a Certificate of Convenience and Necessity to provide telecommunications service as an Incumbent Local Exchange Company in the State of Arizona. On June 22, 1994, the Commission, in Decision No. 58670, approved the transfer of cellular assets and certificate of convenience and necessity to provide cellular (“wireless”) service in various parts of Graham, Greenlee and Cochise Counties from Southwest Arizona Cellular Wireless Limited Partnership to VTC’s subsidiary, Valley.

1           3.       Verizon Wireless is a joint venture of Verizon Communications, Inc. and Vodafone  
2 with over 47 million current customers in the United States. Verizon Wireless is engaged in the  
3 marketing, selling and provision of wireless telecommunications services in the Americas and  
4 Europe.

5           4.       Valley has indicated that the assets to be transferred include its cellular license and  
6 certain microwave licenses issued by the Federal Communications Commission ("FCC"). Also  
7 included in this sale of assets are Valley's files, books of account and contract rights, including  
8 contracts to provide wireless services to customers in the Arizona 6 B-1 service area. In addition,  
9 other permits, rights-of-way, supplies, inventory and equipment, including cell site towers, ground  
10 shelters and base station equipment are included in this transfer and sale of assets. On March 1,  
11 2005, the FCC granted approval of this transaction.

12           5.       Valley has no employees. All individuals assigned to Valley's wireless network are  
13 employed by Valley's parent company, VTC. Valley stated that every effort will be made to retain  
14 all of these individuals after the transaction and stated that it "believes that employees working in  
15 the cellular side of the business can be redeployed within the" other VTC affiliates.

16           6.       Valley indicated that it currently provides wireless service to 11,413 customers in  
17 Arizona. Those customers are currently enrolled in rate plans ranging from \$9.99 per month to  
18 \$13,995 per month depending on the number of minutes and additional handsets needed.  
19 According to Valley, 49 percent of its current customers are enrolled in wireless plans with  
20 monthly access charges of \$29.95 (plus any applicable additional minute charges) per month or  
21 less. Valley has indicated that it has provided initial notices informing its wireless customers of  
22 this transaction in both Spanish and English. Valley stated that it provided all customers with  
23 notice of this transaction (in English), via a bill insert, on or about July 20, 2005. Valley also  
24 stated that a second, more detailed notice (in English) was mailed to all Valley customers as a  
25 stand-alone mailing on or about August 1, 2005. Valley further stated that a Spanish version of the  
26 second notice was sent to all Valley customers, via a bill insert that was included with the bills, on  
27 or about August 20, 2005.

28 ...

1           7.       Verizon Wireless has indicated that although Valley customers will be transferred  
2 to more expensive plans offering more service(s), those customers will receive credits that offset  
3 the difference in monthly rates for as long as they are customers of the plan to which they are  
4 transferred. Verizon Wireless further indicated that the amount of credit received will not increase  
5 if the monthly access charge of the plans Valley customers are transferred to increases.<sup>1</sup>

6           8.       Verizon Wireless stated that Valley's customer's current contract end dates will  
7 apply once transferred to Verizon Wireless and that regardless of the length of their current  
8 contracts with Valley, the credits that offset the difference in rates will apply indefinitely. Verizon  
9 Wireless also stated that any deposits held by Valley would be transferred to and honored by  
10 Verizon Wireless. Finally, Verizon Wireless stated that a transferred Valley customer, who is  
11 currently under a Valley wireless contract, may cancel their Verizon Wireless service without  
12 incurring an early termination fee (\$175), within 30 days of receiving his or her first billing  
13 statement in effect, an end user will have 60 days to cancel Verizon Wireless service. If a  
14 customer decides to terminate service with Verizon Wireless and chooses to be a customer of a  
15 different wireless provider, he or she may choose from Sprint Nextel Co., T-Mobile and Alltel  
16 Communications who also provide service in the Arizona 6 B-1 service area.

17           9.       Staff has reviewed the different elements of the plans which Valley customers will  
18 be placed on upon being transferred to Verizon Wireless. In general, Staff believes the elements of  
19 the Verizon Wireless plans are more favorable. However, there are isolated instances when  
20 specific elements of the Verizon Wireless plans are more expensive than the elements of the  
21 Valley plans. Those instances include higher rates for additional minutes and/or long distance.  
22 Staff also believes that the rate differentiation is balanced by additional features of the Verizon  
23 Wireless plans. Those features include additional plan minutes, Night & Weekend Minutes, larger  
24 calling areas and/or free roaming.

25 ...

26 \_\_\_\_\_  
27 <sup>1</sup> For example, if a customer is transferring to a Verizon Wireless plan with a monthly access fee of \$25.00, he/she  
28 will receive a credit of \$5.05 and the actual amount paid is \$19.95. If that monthly access fee increases to \$28.50, the  
credit will remain unchanged and the actual amount paid is \$23.45.

1           10.     While Valley currently utilizes a Time Division Multiple Access network, Verizon  
2     Wireless utilizes a Code Division Multiple Access ("CDMA") network. Benefits of the CDMA  
3     network utilized by Verizon Wireless include increased signal integrity, increased talk times, more  
4     secure transmissions and special service features such as data, integrated voice and data, fax and  
5     tiered services. Verizon Wireless indicated that quality of service for non-Verizon Wireless  
6     customers traveling through the Arizona 6 B-1 service area will improve as well. Because the  
7     handsets of the different networks are not compatible, Valley's current customers will need to  
8     replace their existing handsets with a Verizon Wireless handset. Verizon Wireless has stated that  
9     four different handsets will be made available. One of which, the LG VX3300, will be offered at  
10    no charge to Valley customers.

11           11.     Staff believes that Valley meets the definition of a public service corporation under  
12    the Arizona Constitution and Revised Statutes and that the wireless assets at issue are useful in  
13    Valley's duties to the public. Accordingly, Staff believes this transaction falls under the provisions  
14    of Arizona Revised Statute Section ("A.R.S.") 40-285A.

15           12.     Verizon Wireless has indicated that prior to the actual transition date, customer  
16    notification letters informing Valley customers about the transaction will be mailed to all Valley  
17    customers. Information included in these notification letters includes:

- 18           1.     Notice that although current Valley customers will be transferred to more expensive  
19                 Verizon Wireless plans, offering more service(s), they will receive credits that  
20                 offset the difference in rates for as long as they are customers of the plan they are  
               transferred to.
- 21           2.     Elements of the Verizon Wireless plans those customers will be placed on.
- 22           3.     The amount of time a customer will have to cancel Verizon Wireless service  
23                 without being subject to an early termination fee (within 30 of receiving his or her  
               first billing statement).
- 24           4.     Information concerning the replacement handsets that will be available to all Valley  
25                 customers.

26           Staff has reviewed the language to be used in these customer notices and believes the  
27    above items are adequately addressed.

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ORDER

IT IS THEREFORE ORDERED that Valley customers shall be given at least sixty days to replace their existing handset.

IT IS FURTHER ORDERED that Valley's requested transfer and sale of cellular license and certain cellular assets to Verizon Wireless is hereby approved.

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

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

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BRIAN C. McNEIL  
Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:AJL:lhm\CCK

1 SERVICE LIST FOR: Valley Telecommunications Company and Verizon Wireless (VAW) LLC,  
DBA Verizon Wireless  
2 Docket No. T-02739A-05-0205

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4 Ms. Jeffrey Crockett  
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Phoenix, Arizona 85007

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13 Mr. Christopher C. Kempley  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
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