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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

SEP 30 2005

DOCKETED BY CAR

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. 68177

ORDER

Open Meeting
September 27 and 28, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On March 18, 2005, Valley Telecommunications Company ("Valley") 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 (VAW) LLC ("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.

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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 United States.

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

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.

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

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

18 9. In a response from Valley to a Staff data request, it was stated that the credit will
19 remain as long as the customer remains on the migrated plan. As is the case with all Verizon
20 Wireless customers throughout the country, under the terms of the customer agreement, Verizon
21 Wireless retains the ability to make changes to rates. If that were to occur, the customer will be
22 provided advanced notice (usually 30 days) of the change and, if the price change is materially
23 adverse to the customer, will have the opportunity to terminate the contract without incurring any
24 early termination fee.

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27 ¹ 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. Staff has reviewed the different elements of the plans which Valley customers will
2 be placed on upon being transferred to Verizon Wireless. In general, Staff believes the elements of
3 the Verizon Wireless plans are more favorable. However, there are isolated instances when
4 specific elements of the Verizon Wireless plans are more expensive than the elements of the
5 Valley plans. Those instances include higher rates for additional minutes and/or long distance.
6 Staff also believes that the rate differentiation is balanced by additional features of the Verizon
7 Wireless plans. Those features include additional plan minutes, Night & Weekend Minutes, larger
8 calling areas and/or free roaming.

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

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

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

- 26 1. Notice that although current Valley customers will be transferred to more expensive
27 Verizon Wireless plans, offering more service(s), they will receive credits that
28 offset the difference in rates for as long as they are customers of the plan they are
transferred to.

- 1 2. Elements of the Verizon Wireless plans those customers will be placed on.
- 2 3. The amount of time a customer will have to cancel Verizon Wireless service
- 3 without being subject to an early termination fee (within 30 of receiving his or her
- 4 first billing statement).
- 5 4. Information concerning the replacement handsets that will be available to all Valley
- 6 customers.

7 Staff has reviewed the language to be used in these customer notices and believes the
8 above items are adequately addressed. The notice to Valley customers shall be provided in both
9 English and Spanish.

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

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

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

CONCLUSIONS OF LAW

18 1. Valley and Verizon Wireless are both Arizona public service corporations within the
19 meaning of Article XV, Section 2, of the Arizona Constitution and A.R.S. 40-285.

20 2. The Commission has jurisdiction over this transaction pursuant to A.R.S. Section 40-
21 285.

22 3. The Commission is authorized to approve the sale and transfer of wireless assets
23 from Valley to Verizon Wireless.

24 4. The Commission, having reviewed the application and Staff's Memoranda dated
25 September 15 and 26, 2005 concludes that Valley's request for approval of the transfer and sale of
26 its cellular assets in the Cellular Geographic Area, Arizona 6 B-1 service area to Verizon Wireless
27 should be approved.

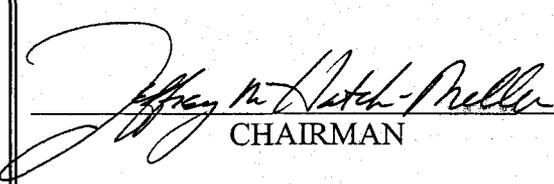
ORDER

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

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

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

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

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10 CHAIRMAN

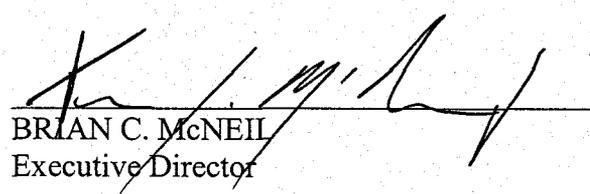

COMMISSIONER

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COMMISSIONER


COMMISSIONER

14 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
15 Director of the Arizona Corporation Commission, have
16 hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this 30th day of Sept., 2005.

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21 BRIAN C. McNEIL
22 Executive Director

23 DISSENT: _____

24 DISSENT: _____

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

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