

ORIGINAL

OPEN MEETING



0000077392

MEMORANDUM
RECEIVED

410

TO: THE COMMISSION

2007 OCT -4 P 3: 44

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: October 4, 2007

RE: IN THE MATTER OF THE REORGANIZATION OF VALLEY TELEPHONE COOPERATIVE, INC., COPPER VALLEY TELEPHONE, INC., VALLEY CONNECTIONS, LLC, AND VALLEY TELECOMMUNICATIONS COMPANY, INC. (DOCKET NOS. T-01847A-07-0392, T-02727A-07-0392, T-04169A-07-0392 AND T-02739A-07-0392)

Introduction

On June 29, 2007, Valley Telephone Cooperative, Inc. ("Cooperative"), Copper Valley Telephone, Inc. ("Copper Valley"), Valley Connections, LLC ("Valley Connections"), and Valley Telecommunications Company, Inc. ("VTC") filed a Notice of Intent to (1) organize a public utility holding company and (2) reorganize the ownership interest of Valley Connections ("Notice of Intent") to the Arizona Corporation Commission ("Commission"). The Notice of Intent proposes to organize VTG Holdings, Inc. ("VTG Holdings") as a holding company of Cooperative's existing affiliates.

Background of Applicants

Cooperative is an Arizona Incumbent Local Exchange Carrier ("ILEC") providing local exchange and exchange access services and currently the parent company of Copper Valley, VTC, and Valley Connections.

Copper Valley is an Arizona ILEC corporation with its principal place of business in Willcox, Arizona. 100 percent of the ownership interest in Copper Valley is held by Cooperative.

Valley Connections is an Arizona limited liability company with its principal place of business in Willcox, Arizona. Valley Connections provides Competitive Local Exchange Carrier ("CLEC") and Interexchange Services in Arizona and offers voice, long distance, video, business systems, and broadband Internet services in Willcox, Safford, and Thatcher, Arizona. In addition, Valley Connections is a wireless reseller. Valley Connections was originally owned by Cooperative and Copper Valley. Cooperative is now the direct owner of all of the stock of Valley Connections.

Arizona Corporation Commission
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VTC is an Arizona corporation which owns six long-haul conduits and resells wireless service. In addition, VTC has other non-regulated investments, including an ownership in RSAS in New Mexico. VTC is not currently engaged in any operations or services that are regulated by the Commission. 100 percent of the ownership interest in VTC is held by Cooperative.

VTG Holdings' Articles of Incorporation were filed January 24, 2005.

The Applicants' Transaction

The Applicants in their Joint Application propose the following:

1. Copper Valley will transfer its membership interest in Valley Connections to Cooperative resulting in Cooperative having 100 percent of the membership interest in Valley Connections;
2. VTG Holdings will be organized as a public utility holding company with Cooperative owning 100 percent of the stock of VTG Holdings; and
3. Cooperative will transfer of all of its ownership interest in the Affiliated Companies to VTC Holdings, resulting in VTG Holdings becoming the holding company of the Affiliated Companies.
4. After securing the Commission's approval as requested above, Cooperative will direct Copper Valley and VTC to each cancel all shares in common stock held by Cooperative and to reissue the shares of common stock to VTG Holdings. Upon the reissuance of Copper Valley and VTC shares in common stock to VTG Holdings and the execution of the Assignment, VTG Holdings will issue shares to Cooperative.
5. Cooperative and Affiliated Companies will remain separate affiliates, operating with the same capital structure and same manner as they currently operate.

The Applicants Request

The Applicants in their Joint Application request the following:

1. Approval, if necessary, of the transfer of Copper Valley's membership interest in Valley Connections to Cooperative pursuant to A.A.C. R14-2-803.
2. Approval of the organization of VTG Holdings as the holding company of Copper Valley, Valley Connections, and VTC; approval of the transfer of Cooperative's ownership interests in its affiliates to VTG Holdings; and approval of the proposed reorganization structure pursuant to A.A.C. R14-2-803.

The Applicants also request that this Application be approved without a hearing.

Staff's Analysis and Conclusions

The Affiliated Interest Rules

The Public Utility Holding Companies and Affiliated Interests Rules apply to all Class A - investor-owned utilities, defined as telecommunications carriers that have Arizona jurisdictional annual revenues of more than \$1 million. In the 2006 Annual Report filed with the Commission, Valley Telephone Cooperative, Inc. generated more than \$1 million in Arizona jurisdictional revenue.

The Applicants provided information responsive to the following, as required by A.A.C. R14-2-803(A), within their Application and in response to Staff's data request:

1. The names and business addresses of the proposed officers and directors of the holding company;

The officers of VTG Holdings are: David Thompson, President; Thomas M. Kuykendall, Vice President; and Carrol Miller, Secretary/Treasurer. The business address for VTG Holdings' officers is P.O. Box 970, Willcox, Arizona 85644.

The Board of Directors of VTG Holdings comprises of: David Thompson, Thomas M. Kuykendall, Carrol Miller, George May, William Swift, Ruby Sipes, Candace I. Roll, Jyme Stoner, and Joseph Chapin. The business address for VTG Holdings' directors is P.O. Box 970, Willcox, Arizona 85644.

2. The business purposes for establishing the holding company.

VTG Holdings was primarily formed to more efficiently manage the Cooperative's ownership interest in the Affiliated Companies. The benefit of establishing VTG Holdings is that the assets of VTC, a non-regulated entity, may be used to finance the operations of another affiliate without using and pledging the assets of Cooperative like it has been done in the past. In addition, the proposed reorganization allows the Affiliated Companies and VTG Holdings to file one consolidated income tax return on an annual basis, which streamlines and simplifies the filing of tax returns for the companies.

3. The proposed method of financing of the holding company and the resultant capital structure.

Cooperative proposes to capitalize VTG Holdings by transferring Cooperative's ownership interest in the Affiliated Companies to VTG Holdings in exchange for 100 percent of VTG Holdings' stock. The transfer qualifies under Section 351 of the Internal Revenue Code and does not result in the recognition of gain or loss to either the Cooperative or VTG Holdings, since only Cooperative's ownership interest will be transferred. Cash or other assets from the affiliated Companies

will not be transferred to VTG Holdings. Therefore, the resultant capital structure of Cooperative and the Affiliated Companies remain the same as before the reorganization.

4. The resultant effect on the capital structure of the public utility.

The reorganization has no effect on the capital structure of Cooperative and Affiliated Companies.

5. An organization chart of the holding company that identifies all affiliates and their relationships within the holding company's subsidiaries.

The Applicants provided an organization chart within their Application.

6. The proposed method for allocating federal and state income taxes to the holding company's subsidiaries of the holding company.

The companies will allocate federal and state income tax liabilities or credits based upon their respective contributions of net income or net loss to the consolidated net income or net loss as reflected on the holding company's consolidated income tax return for each taxable year. If one or more of the companies individually reflects a net loss, it will receive a credit for income taxes by a calculation of the benefit of that loss in reducing the overall tax liability of the group.

7. The anticipated changes in the utility's cost of service and the cost of capital attributable to the reorganization.

The reorganization will not have a material impact on the cost of service and cost of capital for Cooperative and Affiliated Companies.

8. A description of diversification plans of affiliates of the holding company.

Valley Connections continues to construct its broadband network in the rural communities, of Willcox, Safford, and Thatcher, Arizona. Other than the new services offered by Valley Connections, Cooperative and Affiliated Companies have no further plans for diversification.

9. Copies of all relevant documents and filings with the United States Securities and Exchange Commission and other federal or state agencies.

Cooperative, VTG Holdings, and the Affiliated Companies are not publicly traded companies; thus, no filings with the Securities Exchange Commission are necessary. A copy of proposed amendment to the Articles of Incorporation for

Valley Connections was attached to the Application. The Articles of Incorporation for Cooperative, Copper Valley, VTC, and VTC Holdings do not require amendments.

10. The contemplated annual and cumulative investment in each affiliate for the next five years, in dollars and as a percentage of projected net utility plant, and an explanation of the reasons supporting the level of investment and the reasons this level will not increase the risks of investment in the public utility.

The reorganization described in the Application will not have any effect on the budgets of Cooperative and the Affiliated Companies. Cooperative and Copper Valley will continue to use internally generated funds for its capital investments, and neither anticipates issuing any additional debt or equity. VTC anticipates no new investment during the next five years. In addition, consistent with the Commission order granting the Certificate of Convenience and Necessity ("CC&N") to Valley Connections, Cooperative and Copper Valley are prohibited from investing in Valley Connections. As a result, any additional investment in Valley Connections will come from VTC; however, VTC has not made any investment decisions or plans at this time.

11. An explanation of the manner in which the utility can assure that adequate capital will be available for the construction of necessary new utility plant and for improvements in existing utility plant at no greater cost than if the utility or its affiliate did not organize or reorganize a public utility holding company.

Cooperative and Affiliated Companies will still be eligible to borrow money from the Rural Utilities Service ("RUS") of the United States Department of Agriculture which offers many loan programs to the private sector for the development, planning, and financing of telecommunications and broadband infrastructure in rural communities. RUS issues such loans at low interest rates, which ensures that Cooperative and Affiliated Companies can continue to make improvements at low costs. The reorganization proposed in this Notice of Intent has no effect on Cooperative and Affiliated Companies' available capital and does not inhibit Cooperative and Affiliated Companies from applying to the RUS for financing.

The Applicants stated in their Application that Cooperative and Affiliated Companies will remain separate affiliates, operating with the same capital structure and same manner as they currently operate. The proposed transaction will not result in the discontinuance, reduction, loss, or impairment of service to any customers.

Valley Telephone Cooperative and its affiliates have explained that they currently file individual tax returns instead of consolidated tax returns because Valley Telephone is a non-profit cooperative. The filing of individual tax returns, however, makes it impossible for the

companies to offset gains and losses to minimize overall tax costs for each year. With the formation of VTG Holdings and the reorganization of the corporate structure, VTG Holdings can file one consolidated tax return for the affiliates allowing the affiliates to offset periodic gains and losses which will legally minimize tax costs for each year. The offset of gains and losses provides a more efficient utilization of funds among the affiliates. An example of the tax benefits is illustrated by an event from October 2005. At time, the companies did not benefit from the gains of Valley Telecommunications Company's sale of its wireless capabilities because the companies could not file a consolidated tax return which could have allowed gains to offset some of the companies' losses. With the reorganization, the affiliates can amend prior Federal tax returns, which could result in a tax refund of millions of dollars.

The proposed reorganization is not expected to impair the financial status of the Applicants, impair the Applicants' ability to attract capital at fair and reasonable terms nor impair the ability Applicants' to provide safe, reasonable, and adequate service. Staff believes the proposed transaction should increase efficiencies and profitability and allow the Applicants to achieve better financial health as a telecommunications company. The proposed transaction should improve the Applicants' ability to attract capital at fair and reasonable terms and to provide safe, reasonable, and adequate service. Staff has concluded that the Applicants have complied with the requirements of A.A.C. R14-2-803(C).

The Public Interest

Customers will not be impacted by the proposed transaction and stand to ultimately benefit from a provider that has gained increased efficiencies and profitability.

Staff is not aware of any parties that have raised concerns or filed objections to this transaction.

Staff reviewed the Applicants' Joint Application and considered all responses to Staff's data requests.

Staff did not identify any facts in dispute.

Staff's Recommendations

Staff recommends that the Joint Application of Valley Telephone Cooperative, Inc., Copper Valley Telephone, Inc., Valley Connections, LLC, and Valley Telecommunications Company, Inc. be approved pursuant to A.A.C. R14-2-803.

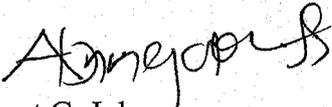
Staff recommends that the Joint Application of be approved without a hearing because Staff believes this transaction does not:

THE COMMISSION

October 4, 2007

Page 7

- a. impair the financial status of the Applicants;
- b. prevent (what about "impair" or "diminish" or something along those lines?) the Applicants' ability to attract capital at fair and reasonable terms;
- c. prevent the Applicants' ability to provide safe, reasonable and adequate service;
- d. adversely affect customers.

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:AFF:lhmkT

ORIGINATOR: Armando Fimbres

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE
REORGANIZATION OF VALLEY
TELEPHONE COOPERATIVE, INC.,
COPPER VALLEY TELEPHONE, INC.,
VALLEY CONNECTIONS, LLC, AND
VALLEY TELECOMMUNICATIONS
COMPANY, INC.

DOCKET NOS. T-01847A-07-0392
T-02727A-07-0392
T-04169A-07-0392
T-02739A-07-0392

DECISION NO. _____
ORDER

Open Meeting
October 23 and 24, 2007
Phoenix, Arizona

BY THE COMMISSION:

Introduction

On June 29, 2007, Valley Telephone Cooperative, Inc. ("Cooperative"), Copper Valley Telephone, Inc. ("Copper Valley"), Valley Connections, LLC ("Valley Connections"), and Valley Telecommunications Company, Inc. ("VTC") filed a Notice of Intent to (1) organize a public utility holding company and (2) reorganize the ownership interest of Valley Connections ("Notice of Intent" to the Arizona Corporation Commission ("Commission"). The Notice of Intent proposes to organize VTG Holdings, Inc. ("VTG Holdings") as a holding company of Cooperative's existing affiliates.

FINDINGS OF FACT

Background of Applicants

The Applicants in their Joint Application represent the following:

...

1 1. Cooperative is an Arizona Incumbent Local Exchange Carrier (“ILEC”) providing
 2 local exchange and exchange access services and currently the parent company of Copper Valley,
 3 VTC, and Valley Connections.

4 2. Copper Valley is an Arizona ILEC corporation with its principal place of business
 5 in Willcox, Arizona. 100 percent of the ownership interest in Copper Valley is held by
 6 Cooperative.

7 3. Valley Connections is an Arizona limited liability company with its principal place
 8 of business in Willcox, Arizona. Valley Connections provides Competitive Local Exchange
 9 Carrier (“CLEC”) and Interexchange Services in Arizona and offers voice, long distance, video,
 10 business systems, and ‘broadband Internet services in Willcox, Safford, and Thatcher, Arizona. In
 11 addition, Valley Connections is a wireless reseller. Valley Connections was originally owned by
 12 Cooperative and Copper Valley. Cooperative is now the direct owner of all of the stock of Valley
 13 Connections.

14 4. VTC is an Arizona corporation which owns six long-haul conduits and resells
 15 wireless service. In addition, VTC has other non-regulated investments, including an ownership in
 16 RSAS in New Mexico. VTC is not currently engaged in any operations or services that are
 17 regulated by the Commission. 100 percent of the ownership interest in VTC is held by
 18 Cooperative.

19 5. VTG Holdings’ Articles of Incorporation were filed January 24, 2005.

20 The Applicants’ Transaction

21 The Applicants in their Joint Application propose the following:

22 6. Copper Valley will transfer its membership interest in Valley Connections to
 23 Cooperative resulting in Cooperative having 100 percent of the membership interest in Valley
 24 Connections;

25 7. VTG Holdings will be organized as a public utility holding company with
 26 Cooperative owning 100 percent of the stock of VTG Holdings; and

27 ...

28 ...

1 8. Cooperative will transfer of all of its ownership interest in the Affiliated Companies
2 to VTC Holdings, resulting in VTG Holdings becoming the holding company of the Affiliated
3 Companies.

4 9. After securing the Commission's approval as requested above, Cooperative will
5 direct Copper Valley and VTC to each cancel all shares in common stock held by Cooperative and
6 to reissue the shares of common stock to VTG Holdings. Upon the reissuance of Copper Valley
7 and VTC shares in common stock to VTG Holdings and the execution of the Assignment, VTG
8 Holdings will issue shares to Cooperative.

9 10. Cooperative and Affiliated Companies will remain separate affiliates, operating
10 with the same capital structure and same manner as they currently operate.

11 The Applicants Request

12 The Applicants in their Joint Application request the following:

- 13 a. Approval, if necessary, of the transfer of Copper Valley's membership
14 interest in Valley Connections to Cooperative pursuant to A.A.C. R14-2-
15 803.
- 16 b. Approval of the organization of VTG Holdings as the holding company of
17 Copper Valley, Valley Connections, and VTC; approval of the transfer of
18 Cooperative's ownership interests in its affiliates to VTG Holdings; and
19 approval of the proposed reorganization structure pursuant to A.A.C. R14-2-
20 803.

21 11. The Applicants also request that this Application be approved without a hearing.

22 Staff's Analysis and Conclusions

23 The Affiliated Interest Rules

24 12. The Public Utility Holding Companies and Affiliated Interests Rules apply to all
25 Class A - investor-owned utilities, defined as telecommunications carriers that have Arizona
26 jurisdictional annual revenues of more than \$1 million. In the 2006 Annual Report filed with the
27 Commission, Valley Telephone Cooperative, Inc. generated more than \$1 million in Arizona
28 jurisdictional revenue.

 13. The Applicants provided information responsive to the following, as required by
A.A.C. R14-2-803(A), within their Application and in response to Staff's data request:

- 1 1. The names and business addresses of the proposed officers and directors of
2 the holding company;

3 The officers of VTG Holdings are: David Thompson, President; Thomas M.
4 Kuykendall, Vice President; and Carrol Miller, Secretary/Treasurer. The
5 business address for VTG Holdings' officers is P.O. Box 970, Willcox,
6 Arizona 85644.

7 The Board of Directors of VTG Holdings comprises of: David Thompson,
8 Thomas M. Kuykendall, Carrol Miller, George May, William Swift, Ruby
9 Sipes, Candace I. Roll, Jyme Stoner, and Joseph Chapin. The business
10 address for VTG Holdings' directors is P.O. Box 970, Willcox, Arizona
11 85644.

- 12 2. The business purposes for establishing the holding company.

13 VTG Holdings was primarily formed to more efficiently manage the
14 Cooperative's ownership interest in the Affiliated Companies. The benefit
15 of establishing VTG Holdings is that the assets of VTC, a non-regulated
16 entity, may be used to finance the operations of another affiliate without
17 using and pledging the assets of Cooperative like it has been done in the
18 past. In addition, the proposed reorganization allows the Affiliated
19 Companies and VTG Holdings to file one consolidated income tax return on
20 an annual basis, which streamlines and simplifies the filing of tax returns for
21 the companies.

- 22 3. The proposed method of financing of the holding company and the resultant
23 capital structure.

24 Cooperative proposes to capitalize VTG Holdings by transferring
25 Cooperative's ownership interest in the Affiliated Companies to VTG
26 Holdings in exchange for 100 percent of VTG Holdings' stock. The transfer
27 qualifies under Section 351 of the Internal Revenue Code and does not
28 result in the recognition of gain or loss to either the Cooperative or VTG
Holdings, since only Cooperative's ownership interest will be transferred.
Cash or other assets from the affiliated Companies will not be transferred to
VTG Holdings. Therefore, the resultant capital structure of Cooperative and
the Affiliated Companies remain the same as before the reorganization.

4. The resultant effect on the capital structure of the public utility.

The reorganization has no effect on the capital structure of Cooperative and
Affiliated Companies.

5. An organization chart of the holding company that identifies all affiliates
and their relationships within the holding company's subsidiaries.

1 The Applicants provided an organization chart within their Application.

- 2 6. The proposed method for allocating federal and state income taxes to the
3 holding company's subsidiaries of the holding company.

4 The companies will allocate federal and state income tax liabilities or credits
5 based upon their respective contributions of net income or net loss to the
6 consolidated net income or net loss as reflected on the holding company's
7 consolidated income tax return for each taxable year. If one or more of the
8 companies individually reflects a net loss, it will receive a credit for income
9 taxes by a calculation of the benefit of that loss in reducing the overall tax
10 liability of the group.

- 11 7. The anticipated changes in the utility's cost of service and the cost of capital
12 attributable to the reorganization.

13 The reorganization will not have a material impact on the cost of service and
14 cost of capital for Cooperative and Affiliated Companies.

- 15 8. A description of diversification plans of affiliates of the holding company.

16 Valley Connections continues to construct its broadband network in the
17 rural communities, of Willcox, Safford, and Thatcher, Arizona. Other than
18 the new services offered by Valley Connections, Cooperative and Affiliated
19 Companies have no further plans for diversification.

- 20 9. Copies of all relevant documents and filings with the United States
21 Securities and Exchange Commission and other federal or state agencies.

22 Cooperative, VTG Holdings, and the Affiliated Companies are not publicly
23 traded companies; thus, no filings with the Securities Exchange Commission
24 are necessary. A copy of proposed amendment to the Articles of
25 Incorporation for Valley Connections was attached to the Application. The
26 Articles of Incorporation for Cooperative, Copper Valley, VTC, and VTC
27 Holdings do not require amendments.

- 28 10. The contemplated annual and cumulative investment in each affiliate for the
 next five years, in dollars and as a percentage of projected net utility plant,
 and an explanation of the reasons supporting the level of investment and the
 reasons this level will not increase the risks of investment in the public
 utility.

 The reorganization described in the Application will not have any effect on
 the budgets of Cooperative and the Affiliated Companies. Cooperative and
 Copper Valley will continue to use internally generated funds for its capital
 investments, and neither anticipates issuing any additional debt or equity.
 VTC anticipates no new investment during the next five years. In addition,
 consistent with the Commission order authorizing the Certificate of

1 Convenience and Necessity ("CC&N") for Valley Connections, Cooperative
2 and Copper Valley are prohibited from investing in Valley Connections. As
3 a result, any additional investment in Valley Connections will come from
4 VTC; however, VTC has not made any investment decisions or plans at this
5 time.

- 6 11. An explanation of the manner in which the utility can assure that adequate
7 capital will be available for the construction of necessary new utility plant
8 and for improvements in existing utility plant at no greater cost than if the
9 utility or its affiliate did not organize or reorganize a public utility holding
10 company.

11 Cooperative and Affiliated Companies will still be eligible to borrow money
12 from the Rural Utilities Service ("RUS") of the United States Department of
13 Agriculture which offers many loan programs to the private sector for the
14 development, planning, and financing of telecommunications and broadband
15 infrastructure in rural communities. RUS issues such loans at low interest
16 rates, which ensures that Cooperative and Affiliated Companies can
17 continue to make improvements at low costs. The reorganization proposed
18 in this Notice of Intent has no effect on Cooperative and Affiliated
19 Companies' available capital and does not inhibit Cooperative and
20 Affiliated Companies from applying to the RUS for financing.

21 14. The Applicants stated in their Application that Cooperative and Affiliated
22 Companies will remain separate affiliates, operating with the same capital structure and same
23 manner as they currently operate the proposed transaction will not result in the discontinuance,
24 reduction, loss, or impairment of service to any customers.

25 15. Valley Telephone Cooperative and its affiliates have explained that they currently
26 file individual tax returns instead of consolidated tax returns because Valley Telephone is a non-
27 profit cooperative. The filing of individual tax returns, however, makes it impossible for the
28 companies to offset gains and losses to minimize overall tax costs for each year. With the
formation of VTG Holdings and the reorganization of the corporate structure, VTG Holdings can
file one consolidated tax return for the affiliates allowing the affiliates to offset periodic gains and
losses which will legally minimize tax costs for each year. The offset of gains and losses provides
a more efficient utilization of funds among the affiliates. An example of the tax benefits is
illustrated by an event from October 2005. At time, the companies did not benefit from the gains
of Valley Telecommunications Company's sale of its wireless capabilities because the companies

1 ~~could not file a consolidated tax return which could have allowed gains to offset some of the~~
2 companies' losses. With the reorganization, the affiliates can amend prior Federal tax returns,
3 which could result in a tax refund of millions of dollars.

4 16. The proposed reorganization is not expected to impair the financial status of the
5 Applicants, impair the Applicants' ability to attract capital at fair and reasonable terms nor impair
6 the ability Applicants' to provide safe, reasonable, and adequate service. Staff believes the
7 proposed transaction should increase efficiencies and profitability and allow the Applicants to
8 achieve better financial health as a telecommunications company. The proposed transaction should
9 improve the Applicants' ability to attract capital at fair and reasonable terms and to provide safe,
10 reasonable, and adequate service. Staff believes the Applicants have complied with the
11 requirements of A.A.C. R14-2-803(C).

12 The Public Interest

13 17. Customers will not be impacted by the proposed transaction and stand to ultimately
14 benefit from a provider that has gained increased efficiencies and profitability.

15 18. Staff is not aware of any parties that have raised concerns or filed objections to this
16 transaction.

17 19. Staff reviewed the Applicants' Joint Application and considered all responses to
18 Staff's data requests.

19 20. Staff did not identify any facts in dispute.

20 Staff's Recommendations

21 21. Staff recommends that the Joint Application of Valley Telephone Cooperative, Inc.,
22 Copper Valley Telephone, Inc., Valley Connections, LLC, and Valley Telecommunications
23 Company, Inc. be approved pursuant to A.A.C. R14-2-803.

24 22. Staff recommends that the Joint Application of be approved without a hearing
25 because Staff believes this transaction does not:

- 26 a. impair the financial status of the Applicants;
27 b. prevent the Applicants' ability to attract capital at fair and reasonable terms;
28 c. prevent the Applicants' ability to provide safe, reasonable and adequate service;
d. adversely affect customers.

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CONCLUSIONS OF LAW

1. Valley Telephone Cooperative, Inc., Copper Valley Telephone, Inc., Valley Connections, LLC, and Valley Telecommunications Company, Inc. are public service corporations within the meaning of Article XV of the Arizona Constitution.

2. The Commission has jurisdiction over Valley Telephone Cooperative, Inc., Copper Valley Telephone, Inc., Valley Connections, LLC, and Valley Telecommunications Company, Inc. and the subject matter in this filing.

3. The Commission, having reviewed the filing and Staff's Memorandum dated October 4, 2007, concludes that it is in the public interest to grant the Joint Application of Valley Telephone Cooperative, Inc., Copper Valley Telephone, Inc., Valley Connections, LLC, and Valley Telecommunications Company, Inc. pursuant to A.A.C. R14-2-803.

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ORDER

IT IS THERFORE ORDERED that the Joint Application of Valley Telephone Cooperative, Inc., Copper Valley Telephone, Inc., Valley Connections, LLC, and Valley Telecommunications Company, Inc. pursuant to A.A.C. R14-2-803 be and hereby is approved.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim 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 _____, 2007.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:AFF:lh\KT

1 SERVICE LIST FOR: Valley Telephone Cooperative, Inc., Copper Valley Telephone, Inc.,
2 Valley Connections, LLC, and Valley Telecommunications Company, Inc.
3 DOCKET NOS. T-01847A-07-0392, T-02727A-07-0392, T-04169A-07-0392, T-02739A-07-0392

4 Mr. Jeffrey W. Crockett
5 Ms. Marcie A. Shuman
6 Snell & Wilmer
7 One Arizona Center
8 400 East Van Buren
9 Phoenix, Arizona 85004

10 Mr. Ernest G. Johnson
11 Director, Utilities Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Mr. Christopher C. Kempley
16 Chief Counsel
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

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