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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

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 AZ CORP COMMISSION
 DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF VANCO DIRECT USA, LLC, FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE TELECOMMUNICATIONS SERVICES AND RESOLD PRIVATE LINE TELECOMMUNICATIONS SERVICES.

DOCKET NO. T-20404A-05-0599

IN THE MATTER OF THE APPLICATION OF VANCO DIRECT USA, LLC, FOR APPROVAL TO INFORM THE COMMISSION OF A TRANSACTION WHEREBY LLOYDS TSB BANK, PLC, WILL MAKE AVAILABLE TO VANCO AND CERTAIN OF ITS AFFILIATES THE SUM OF 100 MILLION POUNDS STERLING WHICH WILL BE SECURED BY THE GUARANTEE OF VANCO, A SECURITY INTEREST IN VANCO'S ASSETS, AND A PLEDGE OF VANCO'S MEMBERSHIP INTERESTS.

DOCKET NO. T-20404A-07-0261

Arizona Corporation Commission
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PROCEDURAL ORDER

BY THE COMMISSION:

On August 22, 2005, Vanco Direct USA, LLC ("Vanco") filed with the Arizona Corporation Commission ("Commission") an application for a certificate of convenience and necessity ("CC&N") to provide resold long distance and resold local exchange telecommunications services within the State of Arizona.

On August 29, 2005, the Commission's Utilities Division Staff ("Staff") issued a letter of insufficiency and data request to Vanco. There were no filings in this docket between August 29, 2005, and August 30, 2006.

On August 30, 2006, by Procedural Order, Staff was directed to provide the Commission an update on the status of the matter and indicate whether the matter should be administratively closed.

1 On September 8, 2006, Staff issued a second letter to Vanco inquiring whether Vanco wished
2 to continue with or withdraw its application for a CC&N.

3 On September 29, 2006, Staff filed an update in this matter recommending that the docket
4 remain open, as Staff had been informed by Vanco's representative that Vanco desired to continue
5 with its application for a CC&N.

6 On October 3, 2006, Vanco filed Responses to Staff's First Set of Data Requests.

7 On February 16, 2007, Staff issued a second letter of insufficiency to Vanco.

8 On April 27, 2007, Vanco filed a letter to inform the Commission of a financial transaction
9 through which Lloyds TSB Bank PLC will make available to Vanco and certain of its affiliates the
10 sum of £100 million (approximately \$200 million), which will be secured by the guarantee of Vanco,
11 a security interest in Vanco's assets, and a pledge of Vanco's membership interests. This letter was
12 assigned Docket No. T-20404A-07-0261.

13 On May 15, 2007, Staff filed a Motion to Consolidate Docket No. T-20404A-05-0599 and
14 Docket No. T-20404A-07-0261.

15 On June 5, 2007, by Procedural Order, Staff's Motion to Consolidate Docket No. T-20404A-
16 05-0599 and Docket No. T-20404A-07-0261 was granted.

17 On August 13, 2007, Vanco filed a revised application indicating that it desires to obtain a
18 CC&N to provide resold long distance and resold private line telecommunications services. Vanco's
19 revised application does not indicate that it desires authority to provide resold local exchange
20 telecommunications services.

21 On October 11, 2007, Staff filed two separate Staff Reports in this matter. In the Staff Report
22 related to Vanco's CC&N application, Staff recommended approval of the application for a CC&N
23 and that a hearing be held. In the Staff Report related to Vanco's financing transaction, Staff
24 determined that the exemption in A.R.S. § 40-301(D) applies to Vanco, but recommended that the
25 Commission authorize Vanco's request to encumber its assets in the State of Arizona, subject to the
26 condition that any Arizona customer deposits and prepayments be excluded from encumbrance or
27 secured by a bond or irrevocable sight draft letter of credit that is not included in the pledged
28 collateral.

1 Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern
2 the preparation and conduct of this proceeding.

3 IT IS THEREFORE ORDERED that the **hearing** on the above application and petition of the
4 Applicant shall commence on **November 26, 2007, at 10:00 a.m.**, or as soon thereafter as is
5 practical, at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona 85007.

6 IT IS FURTHER ORDERED that the Applicant shall publish notice of its filing and the
7 hearing, as stated below, in a newspaper(s) of general circulation in every county in Arizona in which
8 the Applicant desires to provide service by **October 31, 2007**, and shall file Affidavits of Publication
9 with the Commission no later than **November 7, 2007**.

10
11 **IN THE MATTER OF THE APPLICATION OF VANCO DIRECT USA, LLC, FOR**
12 **APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE**
13 **RESOLD LONG DISTANCE TELECOMMUNICATIONS SERVICES AND RESOLD**
14 **PRIVATE LINE TELECOMMUNICATIONS SERVICES.**

15 **(Docket No. T-20404A-05-0599)**

16
17 **IN THE MATTER OF THE APPLICATION OF VANCO DIRECT USA, LLC, FOR**
18 **APPROVAL TO INFORM THE COMMISSION OF A TRANSACTION WHEREBY**
19 **LLOYDS TSB BANK, PLC, WILL MAKE AVAILABLE TO VANCO AND CERTAIN OF**
20 **ITS AFFILIATES THE SUM OF 100 MILLION POUNDS STERLING WHICH WILL BE**
21 **SECURED BY THE GUARANTEE OF VANCO, A SECURITY INTEREST IN VANCO'S**
22 **ASSETS, AND A PLEDGE OF VANCO'S MEMBERSHIP INTERESTS.**

23 **(Docket No. T-20404A-07-0261)**

24
25 On August 22, 2005, Vanco Direct USA, LLC ("Applicant") filed with the Arizona
26 Corporation Commission ("Commission") an application for a Certificate of
27 Convenience and Necessity ("CC&N") to provide resold long distance and resold local
28 exchange telecommunications services in the State of Arizona. On August 13, 2007,
the Applicant revised its CC&N application to request authority to provide resold long
distance and resold private line telecommunications services in the State of Arizona.
On April 27, 2007, the Applicant filed a letter to inform the Commission of a
transaction through which Lloyds TSB Bank PLC will make available to the Applicant
and certain of its affiliates the sum of £100 million (approximately \$200 million),
which will be secured by the guarantee of the Applicant, a security interest in the
Applicant's assets, and a pledge of the Applicant's membership interests. The
Commission's Utilities Division Staff ("Staff") has recommended approval of the
Applicant's CC&N application and financing transaction. The Commission is not
bound by the proposals made by the Applicant, Staff, or any intervenors, and the
Applicant will be required to provide this service under the rates and charges and
terms and conditions established by the Commission. Copies of the application, the
Staff Report, and any written exceptions to the Staff Report filed by the Applicant are
available at the Applicant's offices [insert address] and on the internet via the
Commission website (www.azcc.gov) using the e-docket function.

1 The Commission will hold a hearing on this matter beginning **November 26, 2007, at**
 2 **10:00 a.m.**, at the Commission's offices, 1200 West Washington, Phoenix, Arizona.
 Public comments will be taken on the first day of the hearing.

3 The law provides for an open public hearing at which, under appropriate
 4 circumstances, interested parties may intervene. Intervention shall be permitted to any
 person entitled by law to intervene and having a direct and substantial interest in the
 5 matter. Persons desiring to intervene must file a written motion to intervene with the
 Commission no later than **November 7, 2007**. The motion to intervene must be sent
 to the Applicant or its counsel and to all parties of record and must contain the
 following:

- 6 1. The name, address, and telephone number of the proposed intervenor
 7 and of any party upon whom service of documents is to be made, if
 different from the intervenor;
- 8 2. A short statement of the proposed intervenor's interest in the
 9 proceeding (e.g., a customer of the Applicant, a shareholder of the
 Applicant, etc.); and
- 10 3. A statement certifying that a copy of the motion to intervene has been
 11 mailed to the Applicant or its counsel and to all parties of record in the
 case.

12 The granting of intervention, among other things, entitles a party to present sworn
 evidence at the hearing and to cross-examine other witnesses. However, failure to
 13 intervene will not preclude any interested person or entity from appearing at the
hearing and providing public comment on the application or from filing written
 14 comments in the record of the case. You will not receive any further notice of this
 proceeding unless you request it.

15 If you have any questions about this application, you may contact the
 Applicant at [insert telephone number]. If you wish to file written comments on the
 16 application or want further information on intervention, you may contact the
 Consumer Services Section of the Commission at 1200 West Washington Street,
 17 Phoenix, Arizona 85007, or call 1-800-222-7000.

18 The Commission does not discriminate on the basis of disability in admission
 to its public meetings. Persons with a disability may request a reasonable
 19 accommodation such as a sign language interpreter and may request this document in
 an alternative format by contacting the Commission's ADA Coordinator, Linda
 20 Hogan, by e-mail at LHogan@azcc.gov or by voice phone number at (602) 542-3931.
 Requests should be made as early as possible to allow time to arrange the
 21 accommodation.

22 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-
 23 105, except that all motions to intervene must be filed on or before **November 7, 2007**.

24 IT IS FURTHER ORDERED that any objections to motions to intervene must be filed on or
 25 before **November 16, 2007**.

26 IT IS FURTHER ORDERED that the Applicant and intervenors shall file specific
 27 disagreements/comments, if any, regarding the application and Staff Report by **November 7, 2007**.

28 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules

1 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to practice of law and admission *pro*
2 *hac vice*.

3 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
4 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the
5 Rules of the Arizona Supreme Court). Representation before the Commission includes appearing at
6 all hearings, procedural conferences, and Open Meetings at which the matter is scheduled for
7 discussion, unless counsel has previously been granted permission to withdraw by the Administrative
8 Law Judge or the Commission.

9 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113—Unauthorized
10 Communications) applies to this proceeding and shall remain in effect until the Commission's
11 Decision in this matter is final and non-appealable.

12 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
13 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

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15 DATED this 16th day of October, 2007.

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SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

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Copies of the foregoing mailed
this 16th day of October, 2007 to:

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By: 
Debra Broyles
Secretary to Sarah N. Harpring