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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

APR 29 2008

COMMISSIONERS

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

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

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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

PROCEDURAL ORDER

BY THE COMMISSION:

On June 28, 2007, Valley Telephone Cooperative, Inc. ("Cooperative"); Copper Valley Telephone, Inc. ("Copper Valley"); Valley Connections, LLC ("Valley Connections"); and Valley Telecommunications Company, Inc. ("VTC") filed with the Arizona Corporation Commission ("Commission") a notice of intent to (1) organize a public utility holding company and (2) reorganize the ownership interest of Valley Connections ("application"). In the application, Cooperative proposed to organize VTG Holdings, Inc. ("VTG Holdings") as a holding company to take ownership of Copper Valley, Valley Connections, and VTC ("the affiliated companies"), all of which are now wholly owned by Cooperative.

The application revealed that Copper Valley had transferred its membership interest in Valley Connections to Cooperative at the end of 2006, making Cooperative the direct owner of all of the stock of Valley Connections. Cooperative and Copper Valley believed that this transfer of stock did not require Commission approval, as there was no change of control. However, in the application, Cooperative and Copper Valley also requested approval for the transfer of Valley Connections' stock from Copper Valley to Cooperative, if the Commission determines that Commission approval is required.

On October 4, 2007, Staff issued a Memorandum and Recommended Order recommending that the application be approved without a hearing pursuant to Arizona Administrative Code ("A.A.C.") R14-2-803 because Staff believes that the transaction proposed does not (1) impair the

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1 financial status of Cooperative and the affiliated companies; (2) prevent Cooperative and the  
2 affiliated companies from being able to attract capital at fair and reasonable terms; (3) prevent  
3 Cooperative and the affiliated companies from being able to provide safe, reasonable, and adequate  
4 service; or (4) adversely affect customers.

5 On October 22, 2007, Chairman Gleason docketed Proposed Amendment #2 to the  
6 Recommended Order, which raised questions concerning the value of the shares transferred among  
7 regulated and non-regulated entities and whether allocation of tax liability or credits among affiliates  
8 would require Commission approval. The proposed amendment would have directed the Hearing  
9 Division to conduct a hearing to address those questions and any related questions that may arise  
10 during the hearing.

11 The Recommended Order and Chairman Gleason's Proposed Amendment #2 were discussed  
12 by the Commission at its open meeting on October 24, 2007. Chairman Gleason's Proposed  
13 Amendment #2 failed on a vote of 2-2. The Recommended Order itself also failed on a vote of 2-2.

14 On March 11, 2008, Cooperative and the affiliated companies filed a letter requesting that the  
15 Memorandum and Recommended Order be scheduled for consideration at the next open meeting. As  
16 a result, the Memorandum and Recommended Order were scheduled for consideration at the open  
17 meeting on April 8 and 9, 2008.

18 On April 1, 2008, Chairman Gleason docketed Proposed Amendment #1, which included the  
19 same language as the prior amendment considered in October 2007.

20 At the April 2008 open meeting, both Chairman Gleason's Proposed Amendment #1 and the  
21 Recommended Order, as amended, passed, resulting in Decision No. 70307 (April 24, 2008).  
22 Decision No. 70307 orders the Commission's Hearing Division to conduct a hearing on the  
23 application pursuant to A.A.C. R14-2-803 to address the issues identified in its Findings of Fact Nos.  
24 23 and 24.

25 IT IS THEREFORE ORDERED that a **hearing** on the application of Cooperative and the  
26 affiliated companies shall commence on **July 22, 2008, at 9:30 a.m.**, or as soon thereafter as is  
27 practicable, in Hearing Room #1 at the Commission's offices, 1200 West Washington, Phoenix,  
28 Arizona 85007.

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IT IS FURTHER ORDERED that **Cooperative and the affiliated companies shall, by May 27, 2008, file written testimony and, if applicable, related exhibits** addressing the issues raised in Findings of Fact Nos. 23 and 24 of Decision No. 70307 (April 24, 2008) and the issues raised during the Commission's deliberations of the Recommended Order in October 2007 and April 2008.

IT IS FURTHER ORDERED that **Staff shall, by June 25, 2008, file written testimony and, if applicable, related exhibits** addressing the issues raised in Findings of Fact Nos. 23 and 24 of Decision No. 70307 (April 24, 2008) and the issues raised during the Commission's deliberations of the Recommended Order in October 2007 and April 2008. **Staff's written testimony shall also respond to the written testimony and any related exhibits filed by Cooperative and the affiliated companies.**

IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

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

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

DATED this 29<sup>th</sup> day of April, 2008.

  
SARAH N. HARPRING  
ADMINISTRATIVE LAW JUDGE

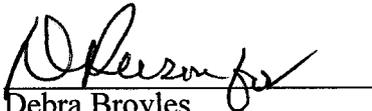
1 Copies of the foregoing mailed/delivered  
this 27<sup>th</sup> day of April, 2008, to:

2 Jeffrey W. Crockett  
3 Marcie A. Shuman  
4 SNELL & WILMER, L.L.P.  
5 One Arizona Center, 400 East Van Buren Street  
6 Phoenix, AZ 85004  
7 Attorneys for Valley Telephone Cooperative, Inc.;  
8 Copper Valley Telephone, Inc.;  
9 Valley Connections, LLC; and  
10 Valley Telecommunications Company, Inc.

11 Christopher Kempley, Chief Counsel  
12 Legal Division  
13 ARIZONA CORPORATION COMMISSION  
14 1200 West Washington Street  
15 Phoenix, AZ 85007

16 Ernest G. Johnson, Director  
17 Utilities Division  
18 ARIZONA CORPORATION COMMISSION  
19 1200 West Washington Street  
20 Phoenix, AZ 85007

21 ARIZONA REPORTING SERVICE, INC.  
22 2200 N. Central Avenue, Suite 502  
23 Phoenix, Arizona 85004-1481

24  
25  
26  
27  
28  
By:   
Debra Broyles  
Secretary to Sarah N. Harpring