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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

Arizona Corporation Commission

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

MAY 22 2008

AZ CORP 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

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 On April 29, 2008, a Procedural Order was issued scheduling the hearing in this matter for
26 July 22, 2008, at 9:30 a.m.; requiring Cooperative and the affiliated companies to file written
27 testimony and any related exhibits by May 27, 2008; and requiring Staff to file written testimony and
28 any related exhibits by June 25, 2008.

1 On May 21, 2008, Cooperative and the affiliated companies filed a Motion to Extend
2 Testimony Deadline, requesting that the deadline for testimony and any related exhibits from
3 Cooperative and the affiliated companies be extended to June 3, 2008, and that the deadline for
4 testimony and any related exhibits from Staff be extended to July 2, 2008. Cooperative and the
5 affiliated companies stated that they need an additional week to make the required filing because of
6 time conflicts associated with the Memorial Day holiday weekend and working with their primary
7 witness who is in Texas. Cooperative and the affiliated companies also stated that the extensions had
8 been discussed with Staff, who concurs with the extension request.

9 The request to extend by one week the parties' filing deadlines for testimony and any related
10 exhibits is reasonable and should be granted, as it will still provide sufficient time for the parties to
11 prepare for the hearing on July 22, 2008.

12 **IT IS THEREFORE ORDERED that Cooperative and the affiliated companies shall, by**
13 **June 3, 2008, file written testimony and, if applicable, related exhibits** addressing the issues
14 raised in Findings of Fact Nos. 23 and 24 of Decision No. 70307 (April 24, 2008) and the issues
15 raised during the Commission's deliberations of the Recommended Order in October 2007 and April
16 2008.

17 **IT IS FURTHER ORDERED that Staff shall, by July 2, 2008, file written testimony and, if**
18 **applicable, related exhibits** addressing the issues raised in Findings of Fact Nos. 23 and 24 of
19 Decision No. 70307 (April 24, 2008) and the issues raised during the Commission's deliberations of
20 the Recommended Order in October 2007 and April 2008. **Staff's written testimony shall also**
21 **respond to the written testimony and any related exhibits filed by Cooperative and the**
22 **affiliated companies.**

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

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

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

3 DATED this 22nd day of May, 2008.

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6 
7 SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

8 Copies of the foregoing mailed/delivered
9 this 22nd day of May, 2008, to:

10 Jeffrey W. Crockett
11 Marcie A. Shuman
12 SNELL & WILMER, L.L.P.
13 One Arizona Center, 400 East Van Buren Street
Phoenix, AZ 85004
Attorneys for Valley Telephone Cooperative, Inc.;
Copper Valley Telephone, Inc.; Valley Connections,
LLC; and Valley Telecommunications Company, Inc.

14 Janice Alward, Chief Counsel
15 Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
16 Phoenix, AZ 85007

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

20
21 By: 
22 Debra Broyles
Secretary to Sarah N. Harpring

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24
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26
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