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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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

DOCKETED BY [Signature]

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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 needed 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 concurred with the extension request.

9 On May 22, 2008, a Procedural Order was issued extending Cooperative and the affiliated
10 companies' deadline for filing written testimony and any related exhibits to June 3, 2008, and
11 extending Staff's deadline for filing written testimony and any related exhibits to July 2, 2008. The
12 Procedural Order did not change the hearing date of July 22, 2008.

13 On June 3, 2008, Cooperative and the affiliated companies filed a second Motion to Extend
14 Testimony Deadline, requesting that Cooperative and the affiliated companies' deadline for filing
15 written testimony and any related exhibits be extended to June 10, 2008, and that Staff's deadline for
16 filing written testimony and any related exhibits be extended to July 9, 2008. Cooperative and the
17 affiliated companies stated that the extension is needed because their witness, Steven D. Metts, CEO
18 and General Manager of Cooperative and the affiliated companies, is out of the country and has been
19 unable to review his testimony. They also stated that Staff did not object to the extension request.

20 In light of their witness's absence from the country and inability to review his testimony, and
21 Staff's acquiescence in their request for an extension, Cooperative and the affiliated companies'
22 request for a second extension of time to file written testimony and related exhibits is reasonable and
23 should be granted. However, the hearing date also needs to be rescheduled to allow adequate
24 preparation time prior to hearing.

25 IT IS THEREFORE ORDERED that **the hearing** on the application of Cooperative and the
26 affiliated companies previously **scheduled for July 22, 2008, at 9:30 a.m. is hereby vacated.**

27 IT IS FURTHER ORDERED that a **hearing** on the application of Cooperative and the
28 affiliated companies **shall commence on August 14, 2008, at 9:00 a.m.,** or as soon thereafter as is

1 practicable, in Room 100 at the Commission's offices, 1200 West Washington, Phoenix, Arizona
2 85007.

3 IT IS FURTHER ORDERED that **Cooperative and the affiliated companies shall, by June**
4 **10, 2008, file written testimony and, if applicable, related exhibits** addressing the issues raised in
5 Findings of Fact Nos. 23 and 24 of Decision No. 70307 (April 24, 2008) and the issues raised during
6 the Commission's deliberations of the Recommended Order in October 2007 and April 2008.

7 IT IS FURTHER ORDERED that **Staff shall, by July 9, 2008, file written testimony and, if**
8 **applicable, related exhibits** addressing the issues raised in Findings of Fact Nos. 23 and 24 of
9 Decision No. 70307 (April 24, 2008) and the issues raised during the Commission's deliberations of
10 the Recommended Order in October 2007 and April 2008. **Staff's written testimony shall also**
11 **respond to the written testimony and any related exhibits filed by Cooperative and the**
12 **affiliated companies.**

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

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

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

21 DATED this 4th day of June 2008.

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SARAH N. HARPRING
ADMINISTRATIVE LAW JUDGE

1 Copies of the foregoing mailed/delivered
this 4th day of June 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.; Valley Connections,
9 LLC; and Valley Telecommunications Company, Inc.

7 Janice Alward, Chief Counsel
8 Legal Division
9 ARIZONA CORPORATION COMMISSION
10 1200 West Washington Street
11 Phoenix, AZ 85007

10 Ernest G. Johnson, Director
11 Utilities Division
12 ARIZONA CORPORATION COMMISSION
13 1200 West Washington Street
14 Phoenix, AZ 85007

13 ARIZONA REPORTING SERVICE, INC.
14 2200 North Central Avenue, Suite 502
15 Phoenix, AZ 85004-1481

15 By: 
16 Debra Broyles
17 Secretary to Sarah N. Harpring

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