



ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER  
CHAIRMAN

WILLIAM A. MUNDELL  
COMMISSIONER

JEFF HATCH-MILLER  
COMMISSIONER

MIKE GLEASON  
COMMISSIONER

KRISTIN K. MAYES  
COMMISSIONER

Arizona Corporation Commission  
DOCKETED

MAR 26 2004

DOCKETED BY

RECEIVED  
2004 MAR 26 P 4: 28  
AZ CORP COMMISSION  
DOCUMENT CONTROL

In the Matter of the Application of Eschelon  
Telecom of Arizona, Inc. for Approval of  
Encumbrance of Assets Pursuant to A.R.S.  
§ 40-285

Docket No. T-03406A-04-0232

APPLICATION AND REQUEST  
FOR EXPEDITED APPROVAL

I. INTRODUCTION

Eschelon Telecom of Arizona, Inc. ("Eschelon" and "Applicant"), through this Application, seeks the approval, to the extent required by applicable statutes and Arizona Corporation Commission regulations, of the encumbrance of certain of Eschelon's assets in relation to the issuance of \$100 million of fixed rate Senior Second Secured Notes (the "Notes") by its affiliated entity, Eschelon Operating Company ("Eschelon Operating"). For the reasons set forth in this Application, Eschelon submits that approval of this Application is in the public interest. Furthermore, Eschelon respectfully requests expedited approval of this Application so that the transactions at issue may be consummated.

1 **II. APPLICATION**

2 The following information is submitted in support of this Application:

3 **A. Applicant**

4 Eschelon is a corporation duly organized and existing under the laws of the  
5 state of Minnesota. Eschelon Operating is a corporation duly organized and existing under  
6 the laws of Minnesota. Eschelon Operating is a direct, wholly-owned subsidiary of  
7 Eschelon Telecom, Inc., and Eschelon is a subsidiary of Eschelon Operating. Eschelon is  
8 certificated by the Arizona Corporation Commission to provide competitive intrastate  
9 telecommunications services pursuant to Decision No. 62751.

10 **B. Designated Contacts**

11 Communications regarding this matter should be addressed to the  
12 following:

13 Thomas H. Campbell  
14 Michael T. Hallam  
15 LEWIS AND ROCA, LLP  
16 40 North Central Avenue  
17 Phoenix, AZ 85004  
18 (602) 262-5723

19 **C. The Proposed Transaction**

20 This transaction involves the issuance by Eschelon Operating of \$100  
21 million in fixed rate Senior Second Secured Notes. The obligations under the Notes will  
22 be guaranteed<sup>1</sup> by each state level operating subsidiary, including Eschelon, and each  
23 operating subsidiary, including Eschelon will grant a security interest in its plant and  
24 equipment.<sup>2</sup> These funds will be initially used to repay an existing loan, which will

24 <sup>1</sup> In Decision No. 64737, the Commission granted Eschelon a limited waiver of the  
25 Affiliated Interest Rules. Because this transaction will not result in an increase in its  
26 maximum rates on file with the Commission, Eschelon submits that approval pursuant to  
AAC R14-2-804 is not required.

<sup>2</sup> The security interest will not become effective with regard to Eschelon until after  
Commission approval of this Application.

1 provide Eschelon Operating with greater flexibility to fund capital expenditures and  
2 working capital needs.

3 **D. Approval of the Encumbrance of the Assets of Eschelon Is In the**  
4 **Public Interest**

5 Eschelon seeks approval of the encumbrance of assets detailed above  
6 pursuant to A.R.S. § 40-285. Approval of this Application and these transactions is in the  
7 public interest as it will enable Eschelon Operating to obtain additional capital that will  
8 help Eschelon to continue to offer competitive services in Arizona and may allow  
9 Eschelon to expand its service offerings in Arizona. The financing is part of an effort to  
10 provide Eschelon Operating and its affiliates with flexibility to budget for capital  
11 expenditures and general corporate purposes, including working capital. The transaction  
12 will facilitate consumer benefits and operational efficiencies, permitting Applicant to  
13 better serve its current and future Arizona customers. As a result, Commission approval of  
14 this Application will bolster the Commission's long-standing goal of fostering full  
15 facilities-based competition in the telecommunications market in Arizona and is in the  
16 public interest.

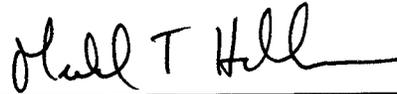
17 **III. CONCLUSION**

18 For the foregoing reasons, Eschelon respectfully submits that Commission  
19 approval of this Application is in the public interest and should be granted. Furthermore,  
20 Eschelon respectfully requests that the Commission grant this approval on an expedited  
21 basis.  
22  
23  
24  
25  
26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

RESPECTFULLY SUBMITTED this 26<sup>th</sup> day March, 2004.

LEWIS AND ROCA



Thomas H. Campbell  
Michael T. Hallam  
40 N. Central Avenue  
Phoenix, Arizona 85004

Attorneys for Eschelon Telecom of Arizona, Inc.

ORIGINAL AND thirteen (13) copies  
of the foregoing hand-delivered  
this 26<sup>th</sup> day of March, 2003, to:

Arizona Corporation Commission  
Utilities Division – Docket Control  
1200 W. Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered  
this 26<sup>th</sup> day of March, 2004,  
to:

Lyn Farmer, Chief Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Christopher Kempley, Esq.  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ernest Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

