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September 6, 2006

Arizona Corporation Commission
DOCKETED

SEP 06 2006

Yvette Kinsey, Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix AZ 85007-2996

DOCKETED BY 

Re: Comtel Telcom Assets LP's Response to Utilities Division Staff Memorandum Dated August 25, 2006 (Docket Nos. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 and T-03188A-05-0677)

Dear Judge Kinsey:

In your Procedural Order dated August 16, 2006, you ordered Utilities Division Staff ("Staff") to file a notice that the applicants in the above-referenced dockets "have submitted financial information relating to Comtel Telcom Assets LP's holding companies on or before August 25, 2006."¹ *Procedural Order* at 2, lines 2-3. On August 25, 2006, Staff filed a memorandum stating that "Staff is unable to file such notice because the Applicants have not filed said financial information." *Staff Memorandum* at 1. To the extent that Staff's August 25 Memorandum implies that Comtel Telcom Assets LP ("Comtel") was not responsive to Staff with regard to the requested financial information on Comtel's holding companies, Comtel would like to clarify that point.

Comtel Assets Inc. is the general partner of Comtel with a 1% ownership interest, and Comtel Assets Corp. is the limited partner of Comtel with a 90.03% ownership interest. The remaining 8.97% ownership interest in Comtel is controlled directly or indirectly by a group of management members of Comtel. Neither Comtel Assets Inc. nor Comtel Assets Corp. are engaged in any business activities other than as owners of Comtel, and neither produces financial statements. Sowood Commodity Partners Fund III LP ("Sowood") owns 100% of Comtel Assets Corp. and 90.94% of Comtel Assets Inc. The other 9.06% ownership interest of Comtel Assets Inc. is held directly or indirectly by a group of management members of Comtel. Sowood is

¹ You also ordered that Comtel Telcom Assets LP file updated balance sheets on or before August 18, 2006, and that the applicants file a copy of their three-party settlement agreement reached with Qwest Corporation in the Vartec bankruptcy proceedings on or before August 25, 2006. Each of these filings were timely completed by Comtel Telcom Assets LP.

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privately held and its financial statements are private. Comtel does not have access to financial information for Sowood. This information was communicated to Staff in phone calls and in a letter dated August 23, 2006, a copy of which was filed in these consolidated dockets.

Since the August 14, 2006, hearing in these consolidated cases, Comtel has participated in two or three phone calls with Staff concerning the financial statements of Comtel's holding companies. In fact, the August 23, 2006 letter referenced above was prepared and docketed at the request of Staff. Comtel has attempted in good faith to provide the financial information requested, but has been unable to obtain the financial information. This information was communicated to Staff prior to August 25, 2006.

I note that Comtel has filed a copy of its own updated financial statements for the period ended June 30, 2006. I submit that Comtel has demonstrated—through discovery, at the hearing, and with the recently updated financial statements—that it has the financial strength to provide a high level of telecommunications service in Arizona. Moreover, Comtel has performance bonds in place which provide additional protection for its customers.

In summary, Comtel has attempted to address all of Commission and Staff requests for information in this docket, and Comtel believes that it has made the requisite showing of financial wherewithal and technical expertise to enable the Commission to issue the requested CC&N.

Very truly yours,

SNELL & WILMER



Marcie Montgomery

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