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MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

DATE: September 20, 2007

RE: SUPPLEMENTAL STAFF REPORT FOR THE APPLICATION OF GLOBAL
TEL*LINK CORPORATION FOR AUTHORIZATION TO ENCUMBER
AND/OR MORTGAGE ITS ASSETS. (DOCKET NO. T-02871A-07-0094)

Attached is the supplemental Staff Report for the application of Global Tel*Link Corporation for authorization to encumber and/or mortgage its assets. Staff recommends conditional approval.

EGJ:AIL:tdp

Originator: Alexander Ibhade Igwe

Arizona Corporation Commission

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**SUPPLEMENTAL STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**GLOBAL TEL*LINK CORPORATION
DOCKET NO. T-02871A-07-0094**

**APPLICATION FOR AUTHORIZATION TO
ENCUMBER AND/OR MORTGAGE ITS ASSETS**

SEPTEMBER 20, 2007

STAFF ACKNOWLEDGMENT

The supplemental Staff Report for the application of Global Tel*Link Corporation, Docket No. T-02871A-07-0094, was the responsibility of the Staff member listed below. Alexander Ihade Igwe was responsible for the financial analysis.



Alexander Ihade Igwe
Executive Consultant III

**EXECUTIVE SUMMARY
GLOBAL TEL*LINK CORPORATION
DOCKET NO. T-02871A-07-0094**

On February 9, 2007, Global Tel*link Corporation filed an application with the Arizona Corporation Commission for authorization to encumber and/or mortgage its Arizona assets as security for certain debt financing up to \$250 million. On July 2, 2007, Staff filed its Staff Report recommending Commission authorization for the Company's request to encumber its Arizona assets, as security for its proposed debt financing, conditioned upon Global Tel*Link procuring a performance bond or an irrevocable sight draft letter of credit, which is excluded from the pledged collateral, in an amount no less than the balance of customer deposits and prepayments. In that filing, Staff inadvertently omits its analysis of the Company's assertion that because it is a foreign entity providing competitive telecommunication service, with assets used for interstate commerce, its financing proposal is exempt by A. R. S. §40-301(D) from Commission regulation. Staff's analysis concurs with the Company that its financing proposal is exempt from Commission regulation.

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Introduction

On February 9, 2007, Global Tel*link Corporation (“GTL” or “Applicant”) filed an application with the Arizona Corporation Commission (“Commission”) seeking authorization to encumber and/or mortgage its Arizona assets in connection with certain debt financing arrangements. GTL proposes to borrow up to \$250 million, consisting of secured credit facilities and term loan agreements.

On July 2, 2007, Staff filed its Staff Report in this proceeding, which inadvertently omits Staff’s analysis of the Company’s assertion that its financing proposal relating to this application is exempt by A. R. S. §40-301(D) from Commission regulation. Staff now presents its analysis as discussed below.

Financial Analysis

In the instance of utilities providing service to captive customers in a non-competitive circumstance, A. R. S §40-301 prohibits authorization of debt unless the Commission finds that the debt issuance is within the corporate powers of the applicant, is compatible with the public interest, with sound financial practices and with the proper performance by the applicant of service as a public service corporation and will not impair its ability to perform that service. However, pursuant to A.R.S. §40-301(D), foreign public service corporations providing communication service whose facilities are also used in interstate commerce are exempt from application of the statute. Staff finds that the Applicant satisfies the criteria for exemption from A.R.S. §40-301 for its proposed financing.

Conclusion

Staff finds that Global Tel*link’s financing relating to this application is exempt by A.R.S. §40-301(D) from Commission authorization. Staff continues to recommend Commission authorization for Global Tel*Link to encumber and/or mortgage its Arizona assets.