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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JUL - 3 2008

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

DOCKETED BY *MM*

IN THE MATTER OF DELTACOM INC. AND
BUSINESS TELECOM INC., DBA BTI
TELECOMMUNICATIONS SERVICES FOR
APPROVAL OF A PROPOSED FINANCING
TRANSACTION.

DOCKET NO. T-03298A-07-0372
DOCKET NO. T-02688A-07-0372

DECISION NO. 70405

ORDER

Open Meeting
July 1 and 2, 2008
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On June 18, 2007, Business Telecom, Inc. dba BTI ("BTI") and DeltaCom, Inc. ("DeltaCom") (jointly, "Applicants") filed the above-captioned application, informing the Commission of a transaction involving the extension of credit facilities to their parent company, ITC^DeltaCom, Inc. ("ITCD") by Tennenbaum Capital Partners, LLC, Credit Suisse, Credit Suisse Securities, and certain of their affiliates.

2. DeltaCom, an Alabama corporation, is authorized to provide long distance telecommunications services in Arizona pursuant to Commission Decision No. 61933 (August 27, 1999), which granted it a Certificate of Convenience and Necessity ("CC&N").¹

3. BTI, a North Carolina corporation, was granted authority to provide long distance

¹ The CC&N was granted to ITC^DeltaCom Communications, Inc. dba ITC^DeltaCom. On March 7, 2008, ITC^DeltaCom Communications, Inc. dba ITC^DeltaCom filed a tariff in Docket No. T-03298A-08-0142 changing its name to DeltaCom Inc.

1 services in Arizona by Commission Decision No. 61097 (August 26, 1998).

2 4. ITCB, a Delaware corporation, wholly owns BTI. ITCB is also the parent company of
3 Interstate FiberNet, Inc. ("IFN"), a provider of wholesale fiberoptic transmission. IFN is in turn the
4 parent company of DeltaCom.

5 5. The application states that IFN will serve as the primary obligor of the proposed debt,
6 while ITCB, BTI, and DeltaCom will serve as guarantors.

7 6. According to the application, the proposed transaction would serve to reduce and
8 refinance ITCB's outstanding debt, and the debt of its subsidiaries, leaving ITCB with \$305 million
9 of first and second lien funded debt, a \$10 million undrawn revolver, approximately 81 million shares
10 of common stock outstanding on a fully diluted basis, and cash on hand of approximately \$50
11 million.

12 7. The application states that the transaction will not result in a change of control of any
13 entity, and that the transaction will enable the companies involved to achieve better liquidity and
14 capitalization, which will enhance their ability to provide quality services to Arizona customers at
15 competitive prices, thereby serving the public interest.

16 8. On January 25, 2008, the Commission's Utilities Division ("Staff") filed a Staff
17 Report on the application, recommending conditional approval of the requested authorization.

18 9. On June 6, 2008, Staff docketed a Notice of Filing Commission Records Regarding
19 Applicant's Name Change.

20 10. Staff performed a review of the proposed transaction and determined that the
21 transaction would not impair the financial status of DeltaCom or BTI; would not impair their ability
22 to attract capital, and would not impair their ability to provide safe, reasonable, and adequate service.

23 11. Staff states that the application is similar to previous requests to secure affiliate debt,
24 which have been approved by this Commission in order to assist the affiliated companies to operate
25 effectively.

26 12. Staff states that because DeltaCom and BTI customers have alternative service
27 providers, they would not experience significant harm in the event that ITCB or IFN have financial
28 difficulties. However, Staff states that any authorization should provide protection for any customer

1 prepayments and deposits held by the companies.

2 13. Staff recommends that the Commission authorize DeltaCom and BTI to serve as
3 guarantors in the proposed transaction subject to the condition that all Arizona customer deposits and
4 prepayments, if any, be excluded from encumbrance, or in the alternative, be secured by a bond or an
5 irrevocable sight draft letter of credit which is not included in the pledged collateral.

6 14. Staff further recommends that DeltaCom and BTI be authorized to engage in any
7 transactions and to execute any documents necessary to effectuate the authorizations granted.

8 15. Staff further recommends that DeltaCom and BTI be required to file as a compliance
9 item in this docket, within sixty days of the transaction closing, the notes and other documents
10 memorializing the authorized transaction(s) with the Commission's Docket Control.

11 16. Staff's recommendations are reasonable and should be adopted.

12 **CONCLUSIONS OF LAW**

13 1. Applicants are public service corporations within the meaning of Article XV of the
14 Arizona Constitution, A.R.S. § 40-285, and A.A.C. R14-2-801 *et seq.*

15 2. The Commission has jurisdiction over Applicants and the subject matter of the
16 application.

17 3. The pledge of assets as a guarantee as conditionally approved herein is for lawful
18 purposes within Applicants' corporate powers, is compatible with the public interest, is consistent
19 with sound financial practices, and with the proper provision of service by Applicants' as public
20 service corporations, and will not impair Applicants' ability to provide that service.

21 4. The encumbrance conditionally approved herein is for the purposes stated in the
22 application and is reasonably necessary for those purposes.

23 **ORDER**

24 IT IS THEREFORE ORDERED that the application by Business Telecom, Inc. dba BTI and
25 DeltaCom, Inc. for authorization to encumber assets as provided for herein, shall be, and hereby is,
26 granted, subject to the condition that all Arizona customer deposits and prepayments be excluded
27 from encumbrance, or in the alternative, that they are secured either by a bond which is not included
28 in the pledged collateral or with an irrevocable sight draft letter of credit which is not included in the

1 pledged collateral.

2 IT IS FURTHER ORDERED that Business Telecom, Inc. dba BTI and DeltaCom, Inc. shall,
3 within thirty days of this Decision, file as a compliance item in this docket, either a statement that all
4 Arizona customer deposits and prepayments have been excluded from encumbrance, or in the
5 alternative, shall file the original performance bond or irrevocable sight draft letter of credit, which is
6 not included in the pledged collateral, with the Commission's Business Office, and shall file copies of
7 the performance bond or irrevocable sight draft letter of credit with Docket Control, as a compliance
8 item in this docket.

9 IT IS FURTHER ORDERED that if Business Telecom, Inc. dba BTI and DeltaCom, Inc.
10 choose to file a performance bond or irrevocable sight draft letter of credit, that the performance bond
11 or irrevocable sight draft letter of credit shall remain in effect until further Order of the Commission,
12 and the Commission may draw on the performance bond or irrevocable sight draft letter of credit, on
13 behalf of, and for the sole benefit of customers of Business Telecom, Inc. dba BTI and DeltaCom,
14 Inc., if the Commission finds, in its discretion, that Business Telecom, Inc. dba BTI or DeltaCom,
15 Inc. are in default on obligations arising from their respective Certificates of Convenience and
16 Necessity.

17 IT IS FURTHER ORDERED that Business Telecom, Inc. dba BTI and DeltaCom, Inc. are
18 hereby authorized to engage in any transactions and to execute or cause to be executed any
19 documents so as to effectuate the authorizations granted herein.

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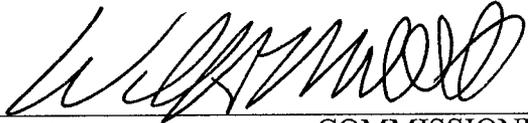
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IT IS FURTHER ORDERED that Business Telecom, Inc. dba BTI and DeltaCom, Inc. shall file as a compliance item in this docket, within sixty days of the transaction closing, the notes and other documents memorializing the authorized transaction(s) with the Commission's Docket Control.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

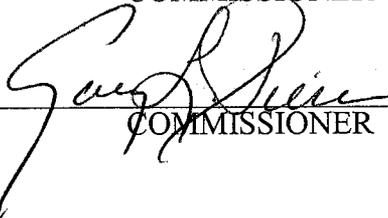
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN


COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 3rd day of July, 2008.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

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SERVICE LIST FOR:

DELTACOM INC. AND BUSINESS TELECOM INC.,
DBA BTI TELECOMMUNICATIONS SERVICES

DOCKET NOS.:

T-03298A-07-0372 and T-02688A-07-0372

Benjamin Bronston
NOWALSKY, BRONSTON, & GOTHARD
3500 North Causeway Boulevard, Suite 1442
Metairie, Louisiana 70002

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007