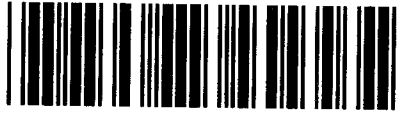




Control Number: 38883



Item Number: 8

Addendum StartPage: 0

**DOCKET NO. 38883**

<b>APPLICATION OF COVAD</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>COMMUNICATIONS COMPANY FOR AN</b>	<b>§</b>	
<b>AMENDMENT TO ITS SERVICE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>PROVIDER CERTIFICATES OF</b>	<b>§</b>	
<b>OPERATING AUTHORITY</b>	<b>§</b>	

2011 JUN 17 11:28 AM

**COMMISSION STAFF'S FINAL RECOMMENDATION**

The Staff (Staff) of the Public Utility Commission of Texas (Commission) files this final recommendation regarding the November 8, 2010, filing by Covad Communications Company (Applicant) for approval of amendment to Service Provider Certificate of Operating Authority (SPCOA) Nos. 60192.

**I. PURA/Substantive Rule Requirements**

Public Utility Regulatory Act<sup>1</sup> (PURA) §§ 54.151 – 54.159 governs the issuance of an SPCOA. The Commission’s rules outline the requirements for the issuance of an SPCOA and the amendment of such. P.U.C. SUBST. R. 26.113 governs amendments to SPCOAs, and 26.113(e) stipulates that if the application to amend requests any change other than a name change, the commission shall consider the factors set forth in P.U.C. SUBST. R. 26.109 and 26.111 in determining whether to approve the amendment.

**II. Staff Analysis**

Staff has examined Applicant’s application for an amendment to its SPCOA No. 60192 to determine if it meets the requirements of PURA §§ 54.156 - 54.159 and P.U.C. SUBST. R. 26.109, 26.111 and 26.113. Gordon Van Sickle of the Commission’s Infrastructure Reliability Division reviewed the application to determine whether it meets the technical and consumer protection requirements of PURA §§ 54.156 - 54.159 and P.U.C. SUBST. R. 26.111 and 26.113. Anjuli Winker of the Commission’s Financial Review Division reviewed the application to determine whether the transaction meets

<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001 – 66.017 (Vernon 2007 & Supp. 2008) (PURA).

financial qualifications pursuant to P.U.C. Subst. R. 26.113(d) and (e). Staff's recommendations are included as attachments to this pleading and provide more specific information concerning the Applicant's satisfaction of the requirements.

### **III. Staff Recommendation**

As explained further in the attached recommendations, Staff has determined that the Applicant has met the requirements of PURA §§ 54.156 - 54.159 and P.U.C. SUBST. R. 26.109, 26.111 and 26.113 for an amendment to its SPCOA No. 60253. **Staff therefore recommends that this application for an amendment be approved.**

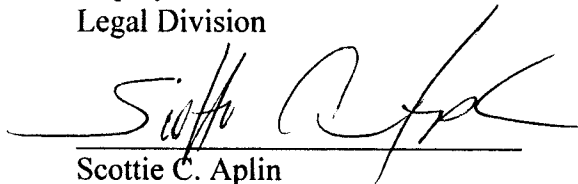
Staff respectfully requests that an order be issued consistent with this recommendation.

Dated: December 17, 2010

Respectfully Submitted,

Thomas S. Hunter  
Division Director  
Legal Division

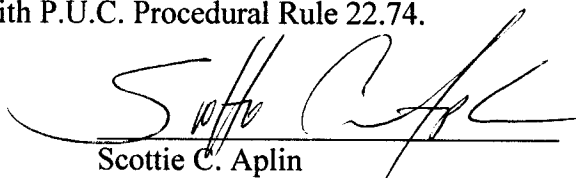
Keith Rogas  
Deputy Division Director  
Legal Division



Scottie C. Aplin  
Attorney-Legal Division  
State Bar No. 24001664  
(512) 936-7289  
(512) 936-7268 (facsimile)  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

### CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on December 17, 2010, in accordance with P.U.C. Procedural Rule 22.74.



Scottie C. Aplin

# Public Utility Commission of Texas

---

## Memorandum

**TO:** Document Management

**FROM:** Gordon Van Sickle, Senior Network Analyst – Infrastructure Reliability Division *(m) G*

**DATE:** December 17, 2010

**SUBJECT:** Docket No. 38883: *Application of Covad Communications Company for an Amendment to its Service Provider Certificate of Operating Authority*

---

### Summary of Conclusions and Recommendations

Commission Staff (Staff) finds that Covad Communications Company continues to meet the technical criteria for Service Provider Certificates of Operating Authority (SPCOAs), pursuant to the Public Utility Regulatory Act (TEX. UTIL. CODE ANN. §§54.151 - 54.158) (PURA) and Public Utility Commission of Texas (PUC) Substantive Rule 26.111. Applicant is requesting a corporate restructuring change whereas the immediate parent company of Covad Communications Company (Covad Communications Group, Inc.) is merging its subsidiary Speakeasy Broadband Services, LLC with Covad Communications Company where Covad Communications Company will be the surviving entity. No change of ownership will occur. Platinum Equity, LLC will remain the ultimate parent of Covad Communications Company with Covad Communications Group, Inc. being an intermediate parent of Covad Communications Company. The Applicant has requested that the name on its SPCOA No. 60192 remain the same: "Covad Communications Company".

### Background Information on Application

On November 8, 2010, Covad Communications Company filed an application seeking a corporate restructuring change. Order No. 1 was issued on November 9, 2010, entering a protective order, establishing a procedural schedule, and determining filing and service procedures. On December 3, 2010, Staff filed its recommendation on the sufficiency of the application. Order No. 2 was issued on December 6, 2010, providing notification that Staff deems the application to be sufficient and complete.

### Description of Services

Covad Communications Company is a California Company. Commission Staff checked with the Texas Secretary of State (SoS) and found that the name Covad Communications Company is registered under file number 11451306 as of March 26, 1997 and the entity status is "**In Existence**".

**Texas Certification and Registration Information** – Covad Communications Company (SPCOA No. 60192 and IXC No. IX011628). Its Affiliates hold the following certifications and registrations in Texas: Matrix Business Technologies (SPCOA No. 60108), Matrix Telecom Inc. (IXC No. IX010828), Americatel Corporation (IXC No. IX010121), DSLnet Communications LLC (SPCOA No. 60253 and IXC No. IX011602).

Covad Communications Company is currently a Facilities-based and Resale service provider for the entire State of Texas. Covad Communications Company intends to continue to provide Business and Residential – ADSL, ISDN, SDSL, T1-Private Line, and Fractional T1 services. Covad Communications Company will continue to provide at least one customer service representative per 2,500 customers during normal business hours. Any equipment provided by Covad Communications Company shall be 911 compliant and local number portability capable. Covad Communications Company has established a toll-free customer service number (888) 648-6823. Covad Communications Company provided an office number (408) 952-6400, fax number (408) 952-7539, a website address ([www.covad.com](http://www.covad.com)) and an email address ([kmadge@covad.com](mailto:kmadge@covad.com)).

Covad Communications Company did not request a change in its existing service area: the entire State of Texas.

### **Additional Information Requested for Technical Review**

Covad Communications Company was not requested to provide any clarifying or supplemental technical information concerning this amendment application.

### **Technical Qualifications**

Covad Communications Company's management consists of key personnel that have accumulated over 100 years of telecommunications experience. Mr. D. Craig Young – Chairman and CEO - has over 29 years of telecommunications experience in management, sales, business services, information systems, and business administration. Mr. Paul Milley - CFO – has over 9 years of telecommunications experience in management, finances, treasury, banking, planning, investor relations and information systems. Mr. Bruce Chatterley – President, Business Markets - has over 20 years of telecommunications experience in management, sales, Marketing, Customer Operations and Product Management. Mr. Patrick Bennett – Chief Strategy Officer and Wholesale Markets – has over 20 years of telecommunications experience in management, marketing, and sales. Mr. Brett Flinchum – COO – has at least 1 year of telecommunications experience in management, operations, network engineering, software and information systems and project management. Mr. Doug Carlen – General Counsel – has over 11 years of telecommunications experience in management, regulatory, corporate affairs and legal affairs. Mr. Dan Foster – Executive Vice President, Sales and Marketing, Business Markets – has over 10 years of telecommunications experience in management, business markets, sales and marketing.

### **Compliance Check**

A check of the Texas Comptroller's Office concerning the Applicable Tax Account Status for Covad Communications Company (Taxpayer ID# 19432551612) revealed the following: **IN GOOD STANDING NOT FOR DISSOLUTION OR WITHDRAWAL through May 16, 2011.**

A check of the reporting requirements for both Covad Communications Company and all of its Affiliates ) reveals that they have all filed their 2010 Annual Reports; therefore they are all in compliance.

Covad Communications Company has indicated through its "No Change" response to the PUC Service Quality Questionnaire that it will continue to meet the quality of service standards.

The Enforcement and Investigations Database indicates that neither Covad Communications Company, Covad Communications Group, Inc., nor Speakeasy Broadband Services, LLC have any outstanding Notices of Violation (NOV).

### **Complaint Check**

The Commission Company Contact Database shows zero complaints against Covad Communications Company for the past 24 months. The Database shows that Americatel Corporation has 52 complaints over the past 24 months. All of its other Affiliates show only 1 complaint in the past 24 months. Covad Communications Company filed its number of customers for the past 24 months confidentially. Using the above information, the customer to complaint ratio is below 6%; therefore no further investigation is warranted.

### **Conclusion**

Based on the information provided by the applicant and my review and analysis of the application filed, Staff finds that Covad Communications Company continues to be technically qualified to provide telecommunications services for its SPCOA No. 60192 for the entire State of Texas. Staff recommends approval of this amendment application for the corporate restructuring change where Covad Communications Company and its affiliate (Speakeasy Broadband Services, LLC) merge together with Covad Communications Company being the survivor and remaining a subsidiary of Covad Communications Group, Inc. The Applicant has requested that the name on its SPCOA No. 60192 remain "Covad Communications Company".

# *Public Utility Commission of Texas*

---

## **Memorandum**

December 17, 2010

TO: Bernice Cox, Legal  
FROM: Anjali Winker, Financial Analysis  
RE: Docket No. 38883 Application of Covad Communications Company to Amend Its Service Provider Certificate of Operating Authority

---

### **Recommendation**

Covad Communications Company (Covad) has satisfied the financial requirements of P.U.C. Subst. R. 26.109. Application approval is recommended from a financial perspective.

### **Applicant**

Covad Communications Company, Inc. (Covad), holds SPCOA No. 60192 and is currently authorized to provide facilities based and resale competitive local exchange services statewide. Financial qualification pursuant to P.U.C. Subst. R. 26.109 were obtained in Docket No. 19490 and amended in Docket Nos. 35167 and 38566. Filings in Docket No. 19490 were purged May 18, 2007. Covad is a wholly-owned subsidiary of Covad Communications Group, Inc., which is a subsidiary of CCGI Holding, LLC.

### **Transaction**

Covad is amending SPCOA No. 601992 to reflect a corporate restructuring. Whereby Covad's parent company is executing an intra-corporate merger with Speakeasy Broadband Service, LLC and Covad. Post transaction Covad is the surviving entity.



## **Analysis and Conclusions**

The transaction results in a change to the underlying financial qualification of the SPCOA holder as previously approved. Therefore, P.U.C. Subst. R. 26.113(d) and (e) require an analysis of financial qualification to determine the ability of Covad to satisfy the financial requirements of P.U.C. Subst. R. 26.109.

To demonstrate financial ability Covad's parent company provided financial statements under protective order. The documents demonstrate sufficient resources to satisfy P.U.C. Subst. R. 26.109.