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Docket #(s): T-20869A-12-0499

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Arizona Corporation Commission

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Exhibit #: S-1 and S-2

MEMORANDUM

LEGAL

TO: Docket Control
FROM: Steven M. Olea
Director
Utilities Division
DATE: October 11, 2013
RE:

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LEGAL DIVISION
AZ CORP COMM

IN THE MATTER OF THE APPLICATION OF CONTERRA ULTRA BROADBAND, LLC FOR A CERTIFICATE OF CONVENIENCE TO PROVIDE INTRASTATE TELECOMMUNICATIONS SERVICES (DOCKET NO. T-20869A-12-0499)

Attached is the Staff Report for the above referenced Application. The Applicant is requesting approval to provide the following services:

- Cellular Backhaul Transport (Carrier Grade Ethernet or TDM Connectivity and Transport)
- Access Networks and Broadband Networks (Carrier Grade Ethernet and Voice Connectivity Transport)

Staff is recommending approval of the Application with conditions.

SMO:PJG:red\MAS

Originator: Pamela J. Genung

Attachment: Original and thirteen copies

EXHIBIT
S-1
ADMITTED

SERVICE LIST FOR: CONTERRA ULTRA BROADBAND, LLC
DOCKET NO. T-20869A-12-0499

Mr. Thomas F. Bardo
Nelson Mullins Riley & Scarborough LLP
101 Constitution Avenue, NW, Suite 900
Washington, DC 20001

Ms. Janice Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

CONTERRA ULTRA BROADBAND, LLC

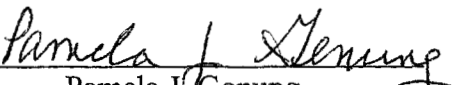
DOCKET NO. T-20869A-12-0499

IN THE MATTER OF THE APPLICATION OF
CONTERRA ULTRA BROADBAND, LLC FOR A CERTIFICATE OF CONVENIENCE
TO PROVIDE INSTRASTATE TELECOMMUNICATIONS SERVICES

OCTOBER 11, 2013

STAFF ACKNOWLEDGMENT

The Staff Report for Conterra Ultra Broadband, LLC, Docket No. T-20869A-12-0499, was the responsibility of the Staff member listed below. Pamela J. Genung was responsible for the review and analysis of the Application for a Certificate of Convenience and Necessity to provide Cellular Backhaul Transport (Carrier Grade Ethernet or TDM Connectivity and Transport) and Access Networks and Broadband Networks (Carrier Grade Ethernet and Voice Connectivity Transport).



Pamela J. Genung
Executive Consultant III

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1. INTRODUCTION

On December 27, 2012, Conterra Ultra Broadband, LLC (“Conterra” or “Applicant” or “Company”) filed an Application for a Certificate of Convenience and Necessity (“CC&N”) to provide Cellular Backhaul Transport (Carrier Grade Ethernet or TDM Connectivity and Transport) and Access Networks and Broadband Networks (Carrier Grade Ethernet and Voice Connectivity Transport) within the State of Arizona. The Applicant also petitioned the Arizona Corporation Commission (“Commission”) for a determination that its proposed services should be classified as competitive.

Staff’s review of this Application addresses the overall fitness of the Applicant to receive a CC&N. Staff’s analysis also considers whether the Applicant’s services should be classified as competitive and if the Applicant’s initial rates are just and reasonable.

2. TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

In its Application, Conterra provides the following information and description of Conterra’s services that it proposes to provide in Arizona. Conterra proposes to offer Cellular Backhaul Transport¹ and Access Networks and Broadband Networks for K-12 educational, healthcare, and government entities.² Each network is customized to a specific customer’s needs and requirements and is not available to the general public through retail sales by Conterra. Conterra will provide telecommunications services in Arizona primarily using its own facilities. However, Conterra may lease services or dark fiber from other carriers where it is more cost-effective to do so.³

Conterra was established in 2001 and is headquartered in Charlotte, North Carolina. Conterra is a foreign limited liability company organized under the laws of the jurisdiction of South Carolina. The Applicant conducts business under the following affiliate names: Conterra Broadband; Conterra Telecom Services; Conterra Telecom Solutions; Conterra Wireless Broadband, LLC; Conterra Fiber Solutions; Conterra Backhaul Solutions; and Conterra Broadband Services of California. Conterra and its affiliates are comprised of 71 employees. The seven members of Conterra’s management team average over 23 years’ experience each in the telecommunications industry.

Conterra does not plan to establish a customer service center in Arizona nor does it plan to have employees in Arizona. Conterra intends to provide customer service to its Arizona customers through its Customer Service Center which is located within its corporate

¹ Carrier Grade Ethernet or TDM Connectivity and Transport from a wireless carrier mobile switching center or from a lower profile connection point [e.g. telecommunications tower, Point Of Presence (“POP”), or carrier hotel]. Conterra supplies customer specified transport bandwidth from site A to Z. (See Application at Attachment C.)

² Carrier Grade Ethernet and Voice Connectivity Transport from the Public Switched Telephone Network (“PSTN”) or Ethernet-POP provided to K-12, healthcare, and government entities. These broadband networks are defined as Wide Area Networks (WANS) and are not available directly to the public through Conterra. (See Application at Attachment C.)

³ Conterra’s Responses to Staff’s Third Set of Data Requests, dated July 5, 2013, at PJG 3.7.

headquarters in Charlotte, North Carolina.⁴ Conterra's customer service personnel will be available 24X7 via a toll-free customer assistance number of 800-634-1274.

Conterra indicated that it has been authorized to provide telecommunications services in seven (7) states/jurisdictions.⁵ In addition to those seven (7) states/jurisdictions, Conterra also provides services, but does not hold a certificate in seven (7) other states⁶, as the services Conterra provides in those states are not regulated, and therefore no application is necessary. Conterra also has pending applications to provide telecommunications services in eight (8) states.⁷ Staff has contacted twelve (12) of the twenty (20) Public Utility Commissions representing each of these states/jurisdictions. Based on the responses received, Staff was able to validate the authorization statuses provided by Conterra and that no complaints have been filed against Conterra. A search of the Federal Communications Commission website found that there have been no complaints filed against Conterra. Based on the above information, Staff believes Conterra possesses the technical capabilities to provide the services it is requesting the authority to provide.

3. FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

On May 6, 2013, the Applicant provided unaudited consolidated financial statements of Conterra Ultra Broadband Holdings, Inc., Conterra's Parent Company, under a protective agreement for year-ended December 31, 2012. These financial statements list total assets of \$84,993,594; total equity of \$32,497,300; and a net loss of \$1,208,334 for the year-ended December 31, 2012. On June 5, 2013, the Applicant provided audited consolidated financial statements of Conterra Ultra Broadband Holdings, Inc. under a protective agreement for year-ended December 31, 2011. These financial statements list total assets of \$77,120,607; total equity of \$32,924,300; and a net loss of \$1,007,380 for the year-ended December 31, 2011. The Applicant noted that it will rely on the financial resources of its Parent Company.

The Applicant stated in its proposed Tariff (reference Section 2.11 on Original Sheet No. 17 of Conterra's proposed Arizona Corporation Commission Tariff No. 1) that it does not collect deposits from its customers. Additionally, in Section 2.12 on Original Sheet No. 17, Conterra states that it may collect an advance payment of one (1) month's estimated charges from customers that Conterra feels is necessary. The advance payment will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month.

⁴ See Conterra's Responses to Staff's First Set of Data Requests, dated May 6, 2013, at PJG 1.4 and Conterra's Responses to Staff's Second Set of Data Requests, dated June 5, 2013, at PJG 2.2.

⁵ See Application at (A-19) and Conterra's Responses to Staff's Third Set of Data Requests, dated July 5, 2013, at PJG 3.1, states include: California, Florida, Georgia, New Mexico, North Carolina, Virginia, and Texas.

⁶ See Application at (A-19) and Conterra's Responses to Staff's Third Set of Data Requests, dated July 5, 2013, at PJG 3.1, states include: Kansas, Maine, Michigan, Pennsylvania, Utah, Vermont, and West Virginia.

⁷ See Conterra's Responses to Staff's Third Set of Data Requests, dated July 5, 2013, at PJG 3.1, states include: Alabama, Arkansas, Florida, Mississippi, North Carolina, Oklahoma, South Carolina, and Tennessee. Florida and North Carolina are for authorization to provide additional telecommunications services beyond Conterra's currently approved authorization.

4. ESTABLISHING RATES AND CHARGES

The Applicant will be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers ("IXCs") are providing telephone service. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

In general, rates for competitive services are not set according to rate of return regulation. Conterra indicated that it expects its net book value or fair value rate base of its Arizona jurisdictional assets to be \$583,906 at the end of the first twelve months of operation. The rate to be ultimately charged by the Company will be heavily influenced by the market. While Staff considered the fair value rate base information submitted by the Company, it did not accord that information substantial weight in its analysis.

The rates proposed in this filing are for competitive services. Conterra does not provide dial tone service to retail end user customers. Conterra provides Wide Area Network services and cell tower backhaul telecommunications services and proposes to offer customized services to meet the individual needs of carrier customers in Arizona. Conterra's customers are all large, sophisticated wireline and wireless carriers, educational, healthcare, and government entities that require bandwidth intensive, carrier-grade data, voice and voice transport who negotiate contract rates on an individual case basis ("ICB") with Conterra. These large carriers and entities have ample resources and bargaining power to protect their business interests while negotiating for the best market prices for services.

Staff has reviewed the maximum/actual rates to be charged by the Applicant. Conterra's rates are for services that have been previously classified as competitive by the Commission. Although both an actual rate and a maximum rate may be listed for each competitive service offered, Conterra's proposed tariff contains actual rates that equal the maximum rates. The proposed tariff rates are similar to those charged by Conterra in other states and are similar to the tariffed rates of other carriers in Arizona. The rate charged for a service may not be less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109. Therefore, Staff believes that Conterra's proposed rates are just and reasonable.

5. REVIEW OF COMPLAINT INFORMATION

The Applicant has neither had an Application for service denied nor had a CC&N revoked in any state. There have not been any civil or criminal proceedings against the Applicant. The Corporations Section has indicated that Conterra is in good standing and the Consumer Services Section reports no complaints have been filed in Arizona from January 1, 2010 to July 30, 2013.

The Applicant certified that none of its officers, directors or partners has been involved in any civil or criminal investigations. The Applicant also indicated that none of its officers, directors or partners had been convicted of any criminal acts within the last ten years.

In response to item (A-11) of its Application, Conterra provided information pertaining to a compliance investigation conducted in 2008 by the Florida Public Service Commission ("FPSC") regarding Conterra Wireless Broadband's failure to comply with Florida Statutes, Section 364.336, which requires certificate holders to pay a minimum annual regulatory assessment fee. Conterra indicated that upon receipt of the FPSC's Order, dated August 11, 2008, Conterra paid all outstanding monies owed. In Response to Staff's First Set of Data Requests, in Exhibit PJG 1.10, Conterra provided additional documentation indicating that the FPSC's docket and compliance investigation was completed and closed on September 15, 2008.

6. COMPETITIVE SERVICES ANALYSIS FOR PRIVATE LINE SERVICES

6.1 Private Line Services

Conterra proposes to provide private line services in Arizona.⁸ Private line service is a direct circuit or channel specifically dedicated to the use of an end user organization for the purpose of directly connecting two or more sites in a multi-site enterprise. Private line service provides a means by which customers may transmit and receive messages and data among various customer locations over facilities operated and provided by the Applicant.

6.2 A Description of the General Economic Conditions That Exist That Make the Relevant Market for the Service One That is Competitive.

IXCs, ILECs and CLECs each hold a substantial share of the private line market. The Applicant will be entering the market as an alternative provider of private line service and, as such, the Applicant will have to compete with the existing providers of the service in order to obtain customers.

6.3 The Number of Alternative Providers of the Service.

IXCs are providers of private line service in the State of Arizona. In addition, ILECs and CLECs also provide private line service.

6.4 The Estimated Market Share Held by Each Alternative Provider of the Service.

IXCs, ILECs and CLECs each hold a substantial share of the private line market.

⁸ See Conterra's Response to Staff's First Set of Data Requests dated May 6, 2013 at PJG 1.2.

6.5 The Names and Addresses of Any Alternative Providers of the Service That Are Also Affiliates of the Telecommunications Applicant, as Defined in A.A.C. R14-2-801.

Conterra does not have any affiliates that are alternative providers of private line service in Arizona.

6.6 The Ability of Alternative Providers to Make Functionally Equivalent or Substitute Services Readily Available at Competitive Rates, Terms and Conditions.

IXCs, ILECs and CLECs have the ability to offer the same services that the Applicant has requested in their respective service territories.

7. RECOMMENDATIONS

Staff recommends that Conterra's Application for a CC&N to provide intrastate telecommunications services, as listed in this Report, be granted. In addition, Staff further recommends:

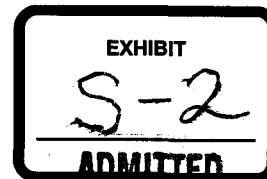
1. That the Applicant complies with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;
2. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;
3. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's name, address or telephone number;
4. That the Applicant cooperate with Commission investigations including, but not limited to customer complaints;
5. The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from Conterra indicating that the net book value of its Arizona assets at the end of the first twelve months of operations is expected to be \$583,906. Staff has reviewed the rates to be charged by the Applicant and believes they are just and reasonable as they are comparable to other wholesale transport providers offering service in Arizona and comparable to the rates the Applicant charges in other jurisdictions. The rate to be ultimately charged by the Company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the Company, the fair value information provided was not given substantial weight in this analysis;
6. That the Commission authorizes the Applicant to discount its rates and service charges to the marginal cost of providing the services.

Staff further recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void after due process.

The Applicant shall docket conforming tariffs for each service within its CC&N within 365 days from the date of an Order in this matter or 30 days prior to providing service, whichever comes first. The tariffs submitted shall coincide with the Application and state that the Applicant does not collect advances, deposits and/or prepayments from its customers.

8. RECOMMENDATION ON THE APPLICANT'S PETITION TO HAVE ITS PROPOSED SERVICES CLASSIFIED AS COMPETITIVE

Staff believes that the Applicant's proposed services should be classified as competitive. There are alternatives to the Applicant's services. The Applicant will have to convince customers to purchase its services, and the Applicant has no ability to adversely affect the local exchange or interexchange service markets. Therefore, the Applicant currently has no market power in the local exchange or interexchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that the Applicant's proposed services be classified as competitive.



ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide
Intrastate Telecommunications Services

Mail original plus 13 copies of completed application to:

2012 DEC 27 PM 12 27
For Docket Control Only:
(Please Stamp Here)

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

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DEC 27 2012

T-20869A-12-0499

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

Please indicate if you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: _____

Docket No.: _____ Date: _____

Date Docketed: _____

Type of Service: _____

Docket No.: _____ Date: _____

Date Docketed: _____

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and mark the appropriate box(s).

- Resold Long Distance Telecommunications Services (Answer Sections A, B).
- Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)
- Alternative Operator Services Telecommunications Services (Answer Sections A, B)
- Other Described in Attachment C (Please attach complete description)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

Conterra Ultra Broadband, LLC
2101 Rexford Road, Suite 200E
Charlotte, NC 28211
Principal office/business office telephone number: 704-936-1806
Toll-free customer service telephone number: 800-634-1374
Fax number: 704-936-1801
E-mail address: alee@conterra.com
Website address: www.conterra.com

S-2

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

Names under which Applicant conducts business: Conterra Broadband; Conterra Telecom Services; Conterra Telecom Solutions; Conterra Wireless Broadband, LLC; Conterra Fiber Solutions; Conterra Backhaul Solutions; Conterra Broadband Services of California

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

Angela Lee
Vice President, Corporate Counsel & Secretary
2101 Rexford Road, Suite 200E
Charlotte, NC 28211
Principal office/business office telephone number: 704-936-1806
Fax number: 704-936-1801
Website address: www.conterra.com
E-mail address: alee@conterra.com
Toll-free customer service telephone number: 800-634-1374

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

Thomas F. Bardo
Nelson Mullins Riley & Scarborough LLP
101 Constitution Avenue, NW, Suite 900
Washington, DC 20001
Telephone Number: 202-712-2817
Fax Number: 202-712-2839
E-Mail address: tom.bardo@nelsonmullins.com

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Complaint Contact Person:

Angela Lee
2101 Rexford Road, Suite 200E
Charlotte, NC 28211
Principal office/business office telephone number: 704-936-1806
Fax number: 704-936-1801
Website address: www.conterra.com
E-mail address: alee@conterra.com
Toll-free customer service telephone number: 800-634-1374

(A-7) What type of legal entity is the Applicant? Mark the appropriate box(s) and category.

- Sole proprietorship
- Partnership: _____ Limited, _____ General, _____ Arizona, _____ Foreign
- Limited Liability Company: _____ Arizona, X Foreign
- Corporation: _____ "S", _____ "C", _____ Non-profit
- Other, specify: _____

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership of each person listed in A-8.2.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

(A-10) Indicate the geographic market to be served:



Statewide. (Applicant adopts statewide map of Arizona provided with this application).



Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

On August 11, 2008, the Florida Public Service Commission ordered that Conterra, LLC d/b/a/ Conterra Wireless Broadband pay a penalty and cost of collection for failure to comply with Section 364.336, Florida Statutes, and Rule 25-4.0161. Florida Statute Section 364.336 requires certificate holders to pay a minimum annual regulatory assessment fee and Rule 25-4.0161(2) provides that the form and applicable fees are due to the Commission by January 30 of the subsequent year. Upon receipt of the Commission's Order assessing the penalty, Conterra paid all outstanding monies owed. On September 12, 2008, the Commission Clerk was notified that Conterra complied by paying the fine, and its certificate remained active and the docket should be closed. This was not a customer complaint.

(A-12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you provide the following information:

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

No owners, directors, officers, partners, or managers in the organization have been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

Yes No

(A-14) Is Applicant willing to post a Performance Bond? Please check appropriate box(s).

For Long Distance Resellers, a \$10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

Yes No

If "No", continue to question (A-15).

For Local Exchange Resellers, a \$25,000 bond will be recommended.

Yes No

If "No", continue to question (A-15).

For Facilities-Based Providers of Long Distance, a \$100,000 bond will be recommended.

Yes No

If "No", continue to question (A-15).

For Facilities-Based Providers of Local Exchange, a \$100,000 bond will be recommended.

Yes No

If any box in (A-14) is marked "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If any box in (A-14) is marked "No", provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the Applicant's superior financial position limits any risk to Arizona consumers

As set forth in Applicant's illustrative tariff at Attachment B, Applicant proposes to provide service on an individualized case basis pursuant to customer contract. Applicant does not propose to provide the services listed in A-14.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the Applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until you are advised to do so by the Hearing Division.

The Applicant will await publishing legal notice and filing affidavits of publication until it has been advised to do so by the Hearing Division.

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in Arizona:

Yes No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in Arizona:

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

Conterra Wireless Broadband, LLC was granted a certificate of public convenience and necessity to provide limited facilities-based local exchange services by the California Public Utilities Commission on December 7, 2007.

Jack Leutza
Director, Communications Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-2782

Conterra Wireless Broadband, LLC was granted a certificate of public convenience and necessity authorizing the provision of intrastate interexchange telephone service on April 26, 2005 from the North Carolina Utilities Commission.

George Sessoms
Deputy Director, Operations Division
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, NC 27699-4325
(919) 715-5292
sessoms@ncuc.net

Conterra LLC d/b/a/ Conterra Wireless Broadband was granted a certificate authorizing it to provide Alternative Access Vendor services by the Florida Public Service Commission on November 17, 2004, and the certificate became effective on December 13, 2004. On August 11, 2008, the Commission issued an order amending the certificate to change the name to Conterra Ultra Broadband, LLC.

Beth Salek
Director, Office of Telecommunications
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
(850) 413-6600
bsalek@psc.state.fl.us

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in Arizona.

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

In addition to the certificated services provided in the states listed in A-18, Conterra Ultra Broadband, LLC provides services, but does not hold a certificate, in Alabama, Arkansas, Georgia, Indiana, Kentucky, Kansas, Louisiana, Maine, Michigan, Mississippi, New Mexico, New York, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, and Wyoming.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

Applicant does not have any alternative providers of the service that are also affiliates of the telecommunications company.

(A-21) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

- Decision # 64178 Resold Long Distance
- Decision # 64178 Resold LEC
- Decision # 64178 Facilities Based Long Distance
- Decision # 64178 Facilities Based LEC

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

Yes

No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

Attached as Attachment D are the Consolidated Financial Statements and Supplemental Schedules for the years that ended on December 31, 2010 and December 30, 2011 and the Independent Auditor's Report for Conterra Ultra Broadband Holdings, Inc., the Applicant's parent company.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

The Application will rely on the financial resources of its Parent Company.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.

\$1,500,000.00

2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.

\$700,000.00

3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.

NBV AZ Assets = \$583,906; AZ Inventory = \$85,095

4. If the projected value of all assets is zero, please specifically state this in your response.

Not applicable.

5. If the projected fair value of the assets is different than the projected net book value, also provide

the corresponding projected fair value amounts.

Not applicable.

C. RESOLD AND/OR FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation,

Yes No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

Yes No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in Arizona.

Applicant proposed to provide the services described in Attachment C.

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59421:

Yes No

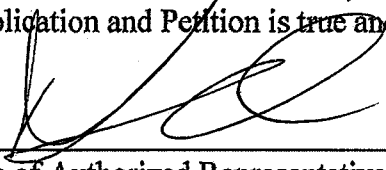
(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service:

Yes No

(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A):

Yes No

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.



 (Signature of Authorized Representative)

December 18, 2012
 (Date)

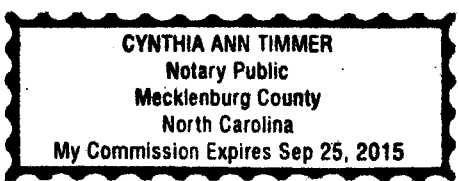
Angela Lee
 (Print Name of Authorized Representative)

Vice President, Corporate Counsel & Secretary
 (Title)

SUBSCRIBED AND SWORN to before me this 18th day of December, 2012

Cynthia Ann Timmer
 NOTARY PUBLIC Cynthia Ann Timmer

My Commission Expires 9/25/2015



ATTACHMENT A

1. A copy of the Applicant's Certificate of Good Standing as a foreign LLC in Arizona follows.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).

The Applicant is a 100% wholly owned subsidiary of Conterra Ultra Broadband Holdings, Inc., whose five largest shareholders are:

Southstar Capital, LLC
2101 Rexford Road
Ste 200E
Charlotte, NC 28211

The Goldman Sachs Group
555 California Street
45th Floor
San Francisco, CA 94104

Duke Communications Holdings, Inc.
139 East Fourth Street
Cincinnati, OH 45202

CF Group, LLC
4930 Fair Elms Avenue
Western Springs, IL 60558

The 1996 Stephen Richard Leeolou Living Trust
422 Fox Brook Lane
Charlotte, NC 28211

Below is a list of the names, titles, phone numbers and office e-mail addresses of each director, officer, or partner for the Applicant:

Stephen R. Leeolou
sleeolou@conterra.com
704-936-1802
Director/Chairman/Chief Executive Officer

Dennis Francis
dfrancis@conterra.com
704-936-1816
President/Chief Operating & Technology Officer

Eric Burgess
cburgess@conterra.com
704-936-1810
Executive Vice President & Chief Financial Officer

Van Snowdon
vsnowdon@conterra.com
704-936-1803
Executive Vice President, Corporate Development

Keith Stines
kstines@conterra.com
704-936-1807
Senior Vice President, Network Engineering

Angela Lee
alee@conterra.com
704-936-1806
Vice President, Corporate Counsel & Secretary

3. Indicate percentage of ownership of each person listed in A-8.2.

SouthStar Capital, LLC (30.7%); The Goldman Sachs Group (29.5%);
Duke Communications Holdings, Inc. (8.8%); CF Group, LLC (7.1%);
The 1996 Stephen Richard Leelou Living Trust (3.5%)

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Ernest G. Johnson, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****CONTERRA ULTRA BROADBAND, LLC*****

a foreign limited liability company organized under the laws of the jurisdiction of South Carolina did obtain a Certificate of Registration in Arizona on the 31st day of October 2005.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company has not had its Certificate of Registration revoked for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed a Certificate of Cancellation as of the date of this certificate.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 12th Day of December, 2012, A. D.



Executive Director

By: 846813

ATTACHMENT B

Illustrative tariff for the services to be provided by Applicant is attached.

Conterra Ultra Broadband, LLC

REGULATIONS AND SCHEDULE OF CHARGES

APPLYING TO LOCAL EXCHANGE COMMUNICATIONS SERVICES
WITHIN THE STATE OF ARIZONA

This tariff contains the descriptions, regulations, and rates applicable to the resale of local telecommunications services offered by Conterra Ultra Broadband, LLC within the State of Arizona. The Company has principal offices at 2101 Rexford Road, Suite 200E, Charlotte, NC 28211, telephone number (800) 634-1374. This tariff is on file with the Arizona Corporation Commission ("Commission"). Copies may be inspected during normal business hours at the Company's principal place of business.

ISSUED: _____

EFFECTIVE: _____

Angela Lee
Corporate Counsel & Secretary
2101 Rexford Road, Suite 200E
Charlotte, NC 28211
Telephone: 704-936-1806
Fax number: 704-936-1801
Email address: alee@conterra.com

CHECK SHEET

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* - Denotes new or revised page with this filing.

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SYMBOLS SHEET

- C -** To signify changed regulation.
- D -** To signify discontinued rate or regulation.
- I -** To signify increased rate.
- M -** To signify a move in the location of text.
- N -** To signify new rate or regulation.
- R -** To signify reduced rate.
- S -** To signify reissued matter.
- T -** To signify a change in text but no change in rate or regulation.

TARIFF FORMAT SHEET

- A. Page numbering - Page numbers appear in the upper right hand corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, new pages added between pages 14 and 15 would be 14.1.

- B. Page revision numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc., the Commission allows in their tariff approval process, the most current page number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the page currently in effect.

- C. Paragraph Numbering Sequence -There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
 - 2
 - 2.1
 - 2.1.1.
 - 2.1.1.A.
 - 2.1.1.A.1
 - 2.1.1.A.1.(a).
 - 2.1.1.A.1.(a).l.
 - 2.1.1.A.1.(a).l.(i).
 - 2.1.1.A.1.(a).l.(i).(1)

- D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists contained in the tariff, with a cross reference to the current revision number. When new pages are added the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e. the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the Commission.

SECTION 1 - DEFINITIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to Carrier's location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer to enable Carrier to identify the origin of service of the Customer so it may rate and bill the call. All authorization codes shall be the sole property of Carrier and no Customer shall have any property or other right or interest in the use of any particular authorization code. Automatic numbering identification (ANI) may be used as or in connection with the authorization code.

Company – Conterra Ultra Broadband, LLC

Common Carrier – An authorized company or entity providing telecommunications service to the public.

Commission – The Arizona Corporation Commission

Customer - The person, firm, corporation or other entity which subscribes to, utilizes, or enters into arrangements for Carrier's telecommunications services and is responsible for payment of Carrier's services.

Dedicated: A facility or equipment system or subsystem set aside for the sole use of a specific Customer or End User.

Holiday - New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day.

Telecommunications – The transmission of voice, data, facsimile, signaling, metering, or other similar communications.

WAN: Wide Area Network

SECTION 2 - RULES AND REGULATIONS**2.1 Application of Tariff**

- 2.1.1 This Tariff contains the regulations and rates applicable to intrastate local exchange telecommunications services provided by Company for telecommunications between points within the State of Arizona. Company's services are furnished subject to the availability of facilities and services and subject to the terms and conditions of this Tariff.
- 2.1.2 Company's services may be provided over the telecommunications channels, facilities or services of other facilities-based carriers and may involve the resale of services of underlying Common Carriers.
- 2.1.3 The rates and regulations contained in this Tariff apply only to the services furnished by Company to the Customer and do not apply to lines, facilities, or services used in accessing the services of Company that are not provided by Company.
- 2.1.4 The Customer is entitled to limit the use of Company's services by end users at the Customer's facilities, and may use other Common Carriers in addition to or in lieu of Company.

2.2 Use of Services

- 2.2.1 Company's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.
- 2.2.2 The use of Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.3 Company's services are available for use twenty-four hours per day, seven days per week, except with respect to limited planned outages about which the Customer will be provided advance notice.
- 2.2.4 Company does not transmit messages pursuant to this Tariff, but its services may be used for that purpose.

SECTION 2 - RULES AND REGULATIONS (continued)

2.2.5 Company's services may be cancelled for nonpayment of uncontested bill charges or for other violations of this Tariff.

2.3 Liability of the Company

2.3.1 Due to the unavailability of errors incident to the services and to the use of the facilities furnished by the Company, the services and facilities furnished by the Company are subject to the terms, conditions and limitations set forth herein.

2.3.2 The liability of the Company for any loss or damages whatsoever arising out of mistakes, omissions, delays, errors, defects or failures in the service, or in any non-regulated equipment or facilities, shall not exceed an amount equivalent to the proportionate charge to the Customer for the period during which the mistake, omission, delay, defect, or failure existed, or the Tariff charge for the service involved. Under no circumstances shall the Company be liable for any consequential, special, indirect, incidental or exemplary damages.

2.3.3 Company shall not be liable for any act or omission of any connecting carrier, underlying carrier, or incumbent local exchange company; for acts or omissions of any other providers of connections, facilities, or service other than the Company; or for culpable conduct of the Customer or failure of equipment, facilities or connection provided by the Customer.

2.3.4 Company shall not be liable for defacement of, or damage to, the premises of a Customer resulting from the attachment of instruments, apparatus and associated wiring furnished by the Company on such Customer's premises or by the installation or removal thereof, when such defacement or damage is not the result of the Company's gross negligence. No agents or employees of the other participating carriers shall be deemed to be agents or employees of Company.

2.3.5 Company shall not be liable for any unlawful or unauthorized use of Company's facilities and service, unless such use results solely from the negligence or willful misconduct of Company.

SECTION 2 - RULES AND REGULATIONS (continued)

2.3.6 The Customer is responsible for taking all necessary legal steps for interconnecting Customer-provided terminal equipment with Company's facilities. The Customer shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnection.

2.4 Force Majeure

2.4.1 Except as provided in Sections 2.4.2 through 2.4.4 below, and notwithstanding any provision or inference to the contrary contained in this Tariff, neither party shall be liable for any failure or suspension of performance due to an act of God; fire; explosion; local, state or federal government action; unusual shortage of materials; strike or other labor unavailability; riot or war (individually, a "force majeure event"). The party claiming relief under this section shall exercise reasonable efforts to minimize the time of any failure or suspension of performance hereunder and promptly notify the other party of the occurrence of the force majeure event. Notwithstanding the foregoing, in no event shall a failure to pay sums required pursuant to this Tariff or any service order(s) be deemed, or postponed by, a force majeure event.

2.4.2 If a failure of performance arising out of a force majeure event shall be solely on the part of Customer and shall be for thirty (30) days or less, then the affected service shall remain in effect and Customer shall remain liable for all charges therefore. If such failure of performance by Customer shall be in excess of thirty (30) days, Customer shall have the option either to maintain the affected service by continuing payments or to cancel the affected service by notice to Company without further liability of the parties.

2.4.3 If a failure of performance arising out of a force majeure event shall be solely on the part of Company and shall be for thirty (30) days or less, then the affected service shall remain in effect with no liability on the part of Company, and Customer shall have no liability for recurring charges as to the period of Company's nonperformance as to the affected service. If such failure of performance by Company shall be in excess of thirty (30) days ("Failed Performance Period"), then the affected service may be canceled by Customer any time thereafter but no later than twenty (20) days after the end of the Failed Performance Period without further liability of the parties, provided that until such time as Customer cancels the

SECTION 2 - RULES AND REGULATIONS (2.4.3 continued)

affected service, such service shall remain in effect with no liability on the part of Company; and, until the sooner of such time as Customer so cancels the affected service or resumption of Company's performance after the force majeure event, Customer shall have no liability for recurring charges as to said period of Company's nonperformance as to the affected service.

- 2.4.4 If a failure to perform arising out of a force majeure event shall be on the part of both Customer and Company shall be for thirty (30) days or less, then the affected service shall remain in effect with no liability on the part of Company, and Customer shall have no liability for recurring charges as to the period of Company's nonperformance as to the affected service. If such failure of performance by both parties shall be in excess of thirty (30) days, then the affected service may be canceled by either party without further liability of the parties thereunder any time within twenty (20) days after the end of such force majeure event(s), provided that until the sooner of such time of cancellation or resumption of Company's performance after any force majeure event, Customer shall have no liability for recurring charges as to said period of Carrier's nonperformance as to the affected service.

2.5 Obligations of the Customer

- 2.5.1 The Customer is responsible for placing any necessary orders for complying with Tariff regulations; for the placement of any stickers or tent cards provided by Company or as required by law; and for assuring that end users comply with Tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Customer to end users. The Customer is also responsible for the payment of charges for calls originated at the Customer's numbers which are not collect, third party, calling card, or credit card calls.
- 2.5.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Company on the Customer's behalf.

SECTION 2 - RULES AND REGULATIONS (continued)

- 2.5.3 If required for the provision of Company's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to Company.
- 2.5.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to Company and the Customer when required for Carrier personnel to install, repair, maintain, program, inspect or remove equipment used for or with the provision of Company's services.
- 2.5.5 The Customer shall ensure that its equipment and/or system is properly interfaced with Company facilities or services, that the signals emitted into Company's network are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer and in compliance with the criteria set forth in this Tariff and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Company will permit such equipment to be connected with its channels without use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Company equipment, personnel, or the quality of service to other Customers, Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Company may terminate the Customer's service.
- 2.5.6 The Customer is responsible for payment of the charges set forth in this Tariff.
- 2.5.7 The Customer is responsible for compliance with the applicable regulations set forth in this Tariff.
- 2.5.8 The Customer shall indemnify and save Company harmless from all liability disclaimed by Company as specified in Section 2.3 above, arising in connection with the provision of service by Company.

SECTION 2 - RULES AND REGULATIONS continued

2.5.9 Customer has the sole responsibility and liability for obtaining at its expense any and all third party access rights (including, without limitation, entrance facilities and interconnection) that Customer desires or requires for Customer to access Customer's customers from or between any Carrier Point of Presence and said customer.

2.6 Cancellation or Interruption of Services

2.6.1 Without incurring liability, Company may discontinue services to a Customer or may withhold the provision of ordered or contracted services, subject to the procedures set forth in 2.6.2:

2.6.1.1 For nonpayment of any sum due Company for more than thirty (30) days after issuance of the bill for the amount due;

2.6.1.2 For violation of any of the provisions of this Tariff;

2.6.1.3 For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over Company's services;

2.6.1.4 By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Company from furnishing its services;

2.6.1.5 If Company is reasonably unable to furnish all of the service requested by Customer for any cause other than Company's negligence or willful misconduct; or

2.6.1.6 If any material rate or term contained in this Tariff is substantially changed adversely to Company by order of the Commission and such order is sustained by the highest court of competent jurisdiction to which the matter is appealed.

2.6.2 Procedures for discontinuance of existing service:

2.6.2.1 Company may discontinue service without notice for any of the following reasons:

SECTION 2 - RULES AND REGULATIONS continued

- 2.6.2.1.1 If a Customer or User causes or permits any signals or voltages to be transmitted over Company's network in such a manner as to cause a hazard or to interfere with Company's service to others.
- 2.6.2.1.2 If a customer or User uses Company's services in a fraudulent manner.
- 2.6.2.2 In all other circumstances, Company will provide the Customer with written notice via first class U.S. mail stating the reason for discontinuance, and will allow the Customer not less than fifteen (15) days to remove the cause for discontinuance. In cases of non-payment of charges due, the Customer will be allowed at least ten (10) days written notice via first class mail that disconnection will take place, excluding Sundays and holidays, and the Customer will be given the opportunity to make full payment of all undisputed charges, and in no event will service be discontinued on the day preceding any day on which Company is not prepared to accept payment of the amount due and to reconnect service.
- 2.6.2.3 Without incurring liability, Company may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Company's equipment and facilities and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.
- 2.6.2.4 Service may be discontinued by Company, without notice to the Customer, by blocking traffic to certain countries, cities, or NXX exchanges when Company deems it necessary to take such action to prevent unlawful use of its service. Company will restore service as soon as it can be provided without undue risk.

2.7 Credit Allowance for Certain Interruption of Services

- 2.7.1 Interruption means an interruption or degradation of the service provided by Company that violates Company's technical standards for such service as set forth in Customer's Service Agreement including, a failure of any line subscribed to by the Customer hereunder and/or, if applicable, Company-provided equipment or software attached thereto. Interruption shall not include the failure of any service or facilities provided by a

SECTION 2 - RULES AND REGULATIONS 2.7.1 continued

Common Carrier or other entity other than the Company. Any Interruption allowance provided within this Tariff by Company shall not apply where service is interrupted by the negligence or willful act of the Customer, or where the Company, pursuant to the terms of this Tariff, terminates service because of non-payment of bills, unlawful or improper use of the Company's facilities or service, or any other reason covered by this Tariff or by applicable law.

2.7.2 Customer shall be entitled to a credit for any Interruption of Service exceeding thirty (30) minutes in duration, computed at a rate of 1/1460 of the monthly recurring charge applicable to the service subject to said Interruption for each half hour or majority fraction thereof that such Interruption continues, measured as provided below, after the maintenance time permitted Company pursuant to Section 2.7.5 below; provided that if more than one Interruption occurs within a twenty-four (24) hour period, the length of all such Interruptions shall be aggregated and treated as a single Interruption for purposes of determining the availability and amount of a credit. Interruptions shall be measured from the time that Company receives notice of such Interruption to the time of material restoration of the applicable portion of the service, less any maintenance time permitted Company pursuant to Section 2.7.5 below, and less any time period during which Customer fails to accord access to Company to any necessary facilities provided by Customer for the purpose of investigating and curing such Interruption. Customer may notify Company of an Interruption by telephone, facsimile, electronic mail, courier or any such similar expedited communication methodology. Credit in any billing period shall not exceed the total non-usage charges for that period for the services and facilities furnished by the Company rendered useless or substantially impaired. No allowance shall apply to any non-recurring or usage charges.

2.7.3 In the event of an Interruption on more than five (5) days during any thirty (30) day period (and so long as such Interruption does not arise out of the events, acts or omissions described in Section 2.7.4 below), Customer as its sole remedy shall, at its option, have the right to either (1) terminate the affected service without further liability of the parties; or (2) receive a credit in an amount equal to one (1) month's recurring charge for the affected service.

2.7.4 In the event of required maintenance or Interruption arising out of (1) any problem with any service provided by a party other than Company, or (2) the acts or omissions of Customer or Customer's agents, servants,

SECTION 2 - RULES AND REGULATIONS (2.7.4 continued)

employees, officers, directors, contractors, subcontractors, invitees or representatives, including, without limitation, Customer's equipment malfunction or improper use, Customer shall not be entitled to any credit. Company shall have no liability to Customer for such maintenance or Interruption. Customer shall continue to be liable for all payments for which Customer is obligated to pay under this Tariff and any and all Service Order(s) as if such Interruption had not occurred. Customer shall pay, promptly on Company's demand, Company's standard maintenance service call fee plus Company's maintenance, repair, and replacement costs arising out of the events, acts, and omissions described in subparagraph (2) of this section. Company's standard maintenance service call fee is \$150.00 per hour, 7:00 a.m. to 5:00 p.m. Monday through Friday, and \$250.00 at all other times and on Holidays, with a two hour minimum billing requirement.

- 2.7.5 Maintenance of Company's system may, from time to time, result in Interruption of Service, provided that, to the extent reasonably possible, maintenance shall be performed during non-peak hours (namely, the hours between midnight to 6:00 a.m. Eastern Standard Time). Company shall provide Customer two (2) business days notice (except in the event of an emergency no notice shall be required) prior to its undertaking any maintenance which may be reasonably expected to result in Interruption of Service; such notice shall be provided via telephone, facsimile, electronic mail, courier or any such similar expedited communications methodology, without the need for a written duplicative notice being delivered. Maintenance required by Company which results in Interruption of Service shall not entitle Customer to a credit if such maintenance is completed as soon as reasonably practicable and does not exceed six (6) hours (said six-hour period to be measured from the time of Company's receipt of notice as to the need for required maintenance, except as to routine maintenance which shall be measured from the beginning of the subject Interruption); in the event such maintenance exceeds four (4) hours, Customer's sole remedy shall be credit as provided above.

2.8 Payment and Rendering of Bills

- 2.8.1 Customers will be billed directly by Company.

SECTION 2 - RULES AND REGULATIONS continued

- 2.8.2 Company will render invoices monthly. Payment is due within thirty (30) days after Customer's receipt of its invoice.
- 2.8.3 If any portion of the payment is not received by the Company, or if any portion of the payment is received by the Company in funds that are not immediately available, by the subject invoice due date, which shall not be sooner than 20 days from the mail date on the bill, then a late payment penalty shall be due the company. The late payment penalty shall be that portion of the payment not received by the date due minus any charges billed as local taxes multiplied by 1.5 percent. Company may invoice Customer for the late payment charge on the next regular monthly invoice.
- 2.8.4 For Returned Checks: The Customer will be assessed a returned check charge of \$20.00 for each check submitted by the Customer to the Company that a financial institution refuses to honor. This charge is inclusive of the bank fee plus a reasonable Company administrative fee.

2.9 Validation of Credit

Company reserves the right to validate the credit worthiness of Customers.

2.10 Disputed Bills

All bills are presumed accurate, and will be binding on the Customer unless objection is received by Company within ninety (90) days after such bills are rendered. Customer nevertheless shall pay to Company no later than the subject invoice due date the undisputed amount, if any, due and owing to Company and provide to Company no later than the subject invoice due date, in writing, the grounds upon which Customer is contesting the disputed amount. In the event that the parties are unable to amicably resolve the issues raised by Customer concerning the Disputed Amount within ninety (90) days of the billing date:

SECTION 2 - RULES AND REGULATIONS (continued)

2.10.1 Customer or Company may file an appropriate complaint with the Commission staff. The current address for filing complaints is:

Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007-2927
Telephone: (602) 542-4251

If the dispute is resolved in favor of the Customer and the Customer has withheld the disputed amount, no interest or penalties will apply.

Any billing dispute between the Company and a Customer that is being investigated by the Company or the Commission shall be considered a bona fide dispute until the Company or the Commission, whichever is the investigating entity, completes its investigation and advises the Customer of its determination. The Customer's service or services, which are subject to the dispute, shall not be disconnected pending resolution of a bona fide dispute.

2.11 **Deposits**

Company does not require a deposit from the Customer.

2.12 **Advance Payments**

For Customers from whom Company feels an advance payment is necessary, Company reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charges and if necessary a new advance payment will be collected for the next month.

2.13 **Taxes**

All federal excise taxes and state and local sales taxes, are billed as separate items and are not included in the quoted rates. Customer shall pay to Company gross receipts, right-of-way, franchise, sales and use taxes and other similar charges that are levied upon or assessed against Company or Company's

SECTION 2 - RULES AND REGULATIONS (2.12 continued)

property or legally required to be collected by Company as a direct result of Carrier's provision of service to Customer within thirty (30) days of Company's written request therefore, but in no event shall Customer be obligated to pay income taxes levied upon Company's net income.

2.14 Shortage of Equipment or Facilities

2.14.1 The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.

2.14.2 The furnishing of service under this Tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other Common Carriers to furnish service from time to time as required at the sole discretion of the Company.

2.15 Special Construction

2.15.1 When it is necessary for the Company to provide outside plant construction, either on a public road or on private property, which is other than that usually provided for the area and class of service furnished, the customer or other party requiring such special construction is required to pay the difference between the estimated cost of usual construction and the estimated cost of the type of construction provided under the conditions specified herein. These costs are calculated as the cost to the Company plus an administrative charge, minus any credit for salvage or reuse. Such special construction includes, but is not limited to:

- (1) underground construction where aerial construction would usually be provided,
- (2) submarine cable,
- (3) greater quantity or a different type of facilities than that which the Company would otherwise construct in order to fulfill the customer's initial requirements for service,

SECTION 2 - RULES AND REGULATIONS (2.14 continued)

(4) routing facilities different from that which the Company would normally utilize,

(5) expedition of the construction of facilities at greater expense than would otherwise be incurred

2.16 Other Services Provided by Company

Company may agree to provide other services or facilities to Customer that are not regulated telecommunications services, including arranging on Customer's behalf for telecommunications services, such as local loop services, to be provided by other common carriers. Any such services are not covered by or subject to this Tariff, but are subject to other agreements or arrangements between Company and Customer.

SECTION 3 - DESCRIPTION OF SERVICES**3.1 Individual Case Basis (ICB) Arrangements**

All of the services provided by Conterra are provided on an individual case basis ("ICB"). Arrangements are developed on a case-by-case basis in response to a bona fide special request from a Customer or prospective Customer to develop a competitive bid for services. ICB rates will be offered to the Customer in writing and on a non-discriminatory basis. All ICB arrangements will be filed with or made available to the Commission upon request.

3.2 Dedicated, Point-to-Point Ethernet WAN Service

This service enables Customer to meet the demands of bandwidth intensive applications between locations with reliable, scalable, point-to-point Ethernet connectivity. This carrier grade, broadband, Layer 2 service provides secure, high-speed connectivity that scales from 10 Mbps to 10 Gbps.

3.3 Dedicated Virtual Ethernet WAN Service

This service combines the flexibility of a point-to-multipoint configuration with guaranteed bandwidth so you can be certain you will have the necessary capacity to support your remote users. With this Service, Company specifies the Committed Information Rate ("CIR").

3.4 Switched Virtual Ethernet WAN Service

This service is a transparent WAN in which multiplexing occurs within the network. With this service, Company allows Customer a Peak Information Rate ("PIR") to burst up to this rate when capacity is available.

3.5 Other Services

Other services may be provided by the Company.

SECTION 4 – RATES AND CHARGES**4.1 Rates**

All of the services provided by Conterra are provided on an individual case basis ("ICB"). Arrangements are developed on a case-by-case basis in response to a bona fide special request from a Customer or prospective Customer to develop a competitive bid for services. ICB rates will be offered to the Customer in writing and on a non-discriminatory basis.

4.2 Application of Rates

4.2.1 Where this Tariff provides for a Standard Rate or Charge for a service, such Standard Rate or Charge shall apply to Customer's use of such service regardless of the terms of Customer's Customer Service Agreement, if any, unless the service is provided as part of an Individual Case Basis arrangement pursuant to Section 4, in which case the rate or charge applicable to Customer's use of such service shall be the rate or charge specified in such ICB arrangement.

4.2.2 Where this Tariff provides for a Minimum Rate or Charge and a Maximum Rate or Charge for a service, the rate or charge applicable to Customer's use of such service shall be the rate or charge specified for such service in Customer's Customer Service Agreement, if any; provided, however:

- A. If the rate or charge specified for a service in Customer's Customer Service Agreement is less than the Minimum Rate or Charge provided for such service in this Tariff, then the rate or charge

SECTION 4.2.2 continued

applicable to Customer's use of such service shall be the Minimum Rate or Charge provided for such service in this Tariff, unless the service is provided as part of an Individual Case Basis arrangement pursuant to Section 4, in which case the rate or charge applicable to Customer's use of such service shall be the rate or charge specified in such ICB arrangement;

- B. If the rate or charge specified for a service in Customer's Customer Service Agreement is greater than the Maximum Rate or Charge provided for such service in this Tariff, then the rate or charge applicable to Customer's use of such service shall be the Maximum Rate or Charge provided for such service in this Tariff, unless the service is provided as part of an Individual Case Basis arrangement pursuant to Section 4.4, in which case the rate or charge applicable to Customer's use of such service shall be the rate or charge specified in such ICB arrangement;
- C. If no rate or charge is specified for a service in Customer's Customer Service Agreement and no Standard Rate or Charge is provided in this Tariff for such service, then the rate or charge applicable to Customer's use of such service shall be the Maximum Rate or Charge provided for such service in this Tariff; and
- D. If Carrier provides a service to Customer in the absence of a Customer Service Agreement and no Standard Rate or Charge is provided in this Tariff for such service, then the rate or charge applicable to Customer's use of such service shall be the Maximum Rate or Charge provided for such service in this Tariff.

4.2.3 The term of a Service Order (the "Service Order Term") shall be the "Term" set forth in the applicable Service Order. Each Service Order shall be in effect for the duration of the Service Order Term thereof, unless sooner canceled or terminated as provided in this Tariff or Customer's Customer Service Agreement. Upon cancellation or termination of any Service Order, Customer shall discontinue use of the capacity provided pursuant thereto; however, if Customer continues to use said capacity provided pursuant to the canceled or terminated Service Order, the Service Order Term shall not renew, Customer shall discontinue such use voluntarily or on Carrier's demand and, until Customer discontinues said use, the subject Service Order shall continue in effect on a daily basis (the "Holdover Term") at the lesser of the Maximum rate or one hundred twenty-five percent (125%) of the rate specified in the expired Service Order or the Customer Service Agreement (pro-rated daily).

SECTION 4 – RATES AND CHARGES continued**4.3 Taxes and Surcharges**

Customer shall pay to Carrier gross receipts, right-of-way, franchise, sales and use taxes, and other similar charges that are levied upon or assessed against Carrier or Carrier's property or legally required to be collected by Carrier as a direct result of Carrier's provision of service to Customer within thirty (30) days of Carrier's written request therefor, but in no event shall Customer be obligated to pay income taxes levied upon Carrier's net income.

ATTACHMENT C

Description of Applicant's proposed telecommunications services in Arizona:

The Applicant will provide two product and services packages, Cellular Backhaul Transport and Access Networks and Broadband Networks for K-12, healthcare and government entities. Each product and service is physically based on FCC licensed common carrier microwave and fiber optic transport. Additionally, each network is customized to a specific customer's needs and requirements and is not available to the general public through retail sales by the Applicant. In the future, the Applicant may expand to provide these services to the general public.

Within Cellular Backhaul Transport, the Applicant provides Carrier Grade Ethernet or TDM connectivity and transport from a wireless carrier mobile switching center or from a lower profile connection point (telecommunications tower, point of presence or carrier hotel). The Applicant supplies customer specified transport bandwidth from site A to Z. The contents of that transport, voice or data, are at the discretion of the customer.

Within Access Networks and Broadband for K-12, healthcare, and government entities, the Applicant provides Carrier Grade Ethernet (data) and video and voice connectivity transport from the Public Switched Telephone Network (PSTN) or Ethernet-POP. These broadband networks are defined as Wide Area Networks (WANS) and are not available directly to the public through the Applicant.

If necessary, the Applicant will require integration (*e.g.*, a capital expense such as co-location, new transmission construction, or switch gear, or leased services)

ATTACHMENT D

Attached are the Consolidated Financial Statements and Supplemental Schedules for the years that ended on December 31, 2010 and December 30, 2011, and the Independent Auditor's Report for Conterra Ultra Broadband Holdings, Inc., the Applicant's parent company.

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