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Docket #(s): T-20888A-13-0273

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Exhibit #: S1, A1, A2

MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: September 29, 2014

RE: IN THE MATTER OF THE APPLICATION OF THRESHOLD COMMUNICATIONS, INC. FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE, LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES AND VOIP SERVICES (DOCKET NO. T-20888A-13-0273)



ORIGINAL

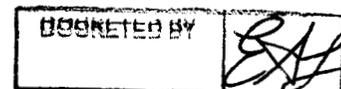
Attached is the Staff Report for the above Application requesting approval for a Certificate of Convenience and Necessity ("CC&N") to provide the following services:

- Resold Long Distance Telecommunications Services
- Resold Local Exchange Telecommunications Services
- VoIP Services
- Private Line Telecommunications Services

Arizona Corporation Commission
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SEP 29 2014

Staff is recommending approval of the Application with conditions.



SMO:PJG:vsc\BES

Originator: Pamela J. Genung

Attachment: Original and Thirteen copies

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SERVICE LIST FOR: THRESHOLD COMMUNICATIONS, INC.
DOCKET NO.: T-20888A-13-0273

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Threshold Communications, Inc.
16541 Redmond Way #245C
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Ms. Janice Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
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Phoenix, Arizona 85007

Mr. Steven M. Olea
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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

THRESHOLD COMMUNICATIONS, INC.

DOCKET NO. T-20888A-13-0273

IN THE MATTER OF THE APPLICATION OF THRESHOLD COMMUNICATIONS, INC.
FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO
PROVIDE RESOLD LONG DISTANCE, LOCAL EXCHANGE TELECOMMUNICATIONS
SERVICES AND VOIP SERVICES

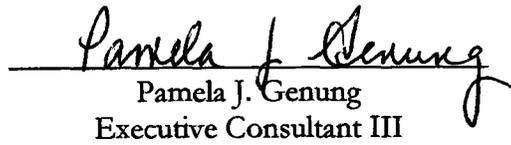
SEPTEMBER 29, 2014

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STAFF ACKNOWLEDGMENT

The Staff Report for Threshold Communications, Inc., Docket No. T-20888A-13-0273, was the responsibility of the Staff member listed below. Pamela J. Genung was responsible for the review and analysis of the Applicant's application for a Certificate of Convenience and Necessity to provide Resold Long Distance, Resold Local Exchange, VoIP, and Private Line Telecommunications Services within the State of Arizona, in addition to the petition for a determination that its proposed services should be classified as competitive.


Pamela J. Genung
Executive Consultant III

1. INTRODUCTION

On August 9, 2013, Threshold Communications, Inc. ("Threshold" or "Applicant") filed an Application for a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance, resold local exchange, and Voice over Internet Protocol ("VoIP") telecommunications services 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. On August 9, 2013, Threshold submitted proposed tariffs for the services it is requesting the authority to provide.

On October 7, 2013, Staff issued its First Set of Data Requests to Threshold. Responses to Staff's First Set of Data Requests were received from Threshold on March 24, 2014. Included in the Applicant's Responses to Staff's First Set of Data Requests were replacement tariffs, in entirety, to Threshold's proposed A.C.C. No. 1 and A.C.C. No. 2 tariffs. In response to Staff Data Request PJG 1-2¹, Threshold indicated that it will also be providing private line telecommunications services. On July 28, 2014, Threshold provided a supplement to its March 24, 2014, Responses to Staff's First Set of Data Requests, in addition to two revised tariff pages.

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

Threshold, founded in 2001, is a foreign corporation organized under the laws of the State of Washington. Threshold's headquarters is located at 16541 Redmond Way, #245C, Redmond, Washington 98052.

The Applicant indicated that it is authorized and currently offering telecommunications services similar to those that it will or intends to offer in Arizona in the following states: California, Indiana, New York, North Carolina, Oregon, Texas, Virginia, and Washington. Staff contacted the Public Utility Commissions in those eight (8) states/jurisdictions to determine if Threshold is certificated or registered to provide competitive local exchange, interexchange, and private line telecommunications services in the states listed by the Applicant. Staff also inquired whether there were any consumer complaints filed against the Applicant in those jurisdictions. The information Staff obtained indicates that Threshold is authorized to provide local exchange and interexchange services in at least (6) six states/jurisdictions and there have been no consumer complaints filed against Threshold in any of those states/jurisdictions.

The three members of the Applicant's senior management team each average over sixteen years' experience in the telecommunications industry. Threshold presently has a total

¹ Supplement to Application of Threshold Communications, Inc., Docket No. T-20888A-13-0273, filed August 1, 2014.

of twelve (12) employees. The Applicant plans to have between one (1) and ten (10) employees in Arizona.

Threshold will be providing services to small and medium business end users in Arizona. Threshold states that it will be installing its own facilities, including servers and routers, in a collocation facility in the Phoenix area. Threshold intends to lease lines from existing carriers in Arizona, including CenturyLink. The Applicant will provide customer service to its Arizona subscribers on a 24x7x365 basis. Customer Service may be reached at 1-877-820-8900. If dispatch is required, Threshold will work with the service provider that Threshold leases services from to dispatch a technician. Threshold will not have a customer service center in Arizona.

Based on the above information, Staff believes Threshold possesses the technical capabilities to provide the services it is requesting the authority to provide in Arizona.

3. FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES

On June 3, 2014, a confidentiality agreement was signed by the Applicant and Staff. On July 30, 2014, Threshold provided unaudited financial statements for the two years ending December 31, 2012 and December 31, 2013. The financial statements for year ending 2012 list total assets of \$945,254; total equity of \$549,825 and a net income of \$486,003. The financial statements for year ending 2013 list total assets of \$1,132,788; total equity of \$698,296 and a net income of \$279,575. The Applicant did not provide notes related to the financial statements.

4. ESTABLISHING RATES AND CHARGES

The Applicant would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers 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.

Both an initial rate (the actual rate to be charged) and a maximum rate must be listed for each competitive service offered, provided that the rate for the service is not less than the company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109.

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 the Applicant indicating that its fair value rate base is zero. Accordingly, Applicant's fair value rate base is too small to be useful in a fair value analysis.

Threshold submitted its proposed A.C.C. No. 1 and A.C.C. No. 2 tariffs to support its Application. Threshold has also provided additional rate comparison information of other CLECs in the State of Arizona. Staff has reviewed the proposed rates and believes they are comparable to the rates charged by competitive local carriers and local incumbent carriers operating in the State of Arizona. The rate to be ultimately charged by the Applicant will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the Applicant, the fair value rate base information provided should not be given substantial weight in this analysis.

5. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES

Issues related to the provision of Local Exchange service are discussed below.

5.1 *Number Portability*

The Commission has adopted rules to address number portability in a competitive telecommunications services market. Local exchange competition may not be vigorous if customers, especially business customers, must change their telephone numbers to take advantage of a CLEC's service offerings. Consistent with federal laws, federal rules and A.A.C. R14-2-1308(A), the Applicant shall make number portability available to facilitate the ability of a customer to switch between authorized local carriers within a given wire center without changing their telephone number and without impairment to quality, functionality, reliability or convenience of use.

5.2 *Provision Of Basic Telephone Service And Universal Service*

The Commission has adopted rules to address universal telephone service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Service Fund ("AUSF"). The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204(B).

5.3 *Quality Of Service*

In the competitive market that the Applicant wishes to enter, the Applicant generally will have no market power and will be forced to provide a satisfactory level of service or risk losing its customers. Therefore, Staff believes that the Applicant should be ordered to abide by the same quality of service standards that were approved by the Commission for Qwest d/b/a CenturyLink QC ("CenturyLink") in Docket No. T-01051B-13-0199 (Decision No. 74208).

5.4 *Access To Alternative Local Exchange Service Providers*

Staff expects that there will be new entrant providers of local exchange service who will install the plant necessary to provide telephone service to, for example, a residential subdivision or an industrial park much like existing local exchange companies do today. There may be areas where the Applicant installs the only local exchange service facilities. In

the interest of providing competitive alternatives to the Applicant's local exchange service customers, Staff recommends that the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve such areas. This way, an alternative local exchange service provider may serve a customer if the customer so desires. Access to other providers should be provided pursuant to the provisions of the 1996 Telecommunications Act, the rules promulgated there under and Commission rules on interconnection and unbundling.

5.5 911 Service

The Commission has adopted rules to address 911 and E911 services in a competitive telecommunications services market. The Applicant has certified that, in accordance with A.A.C. R14-2-1201(6)(d) and Federal Communications Commission ("FCC") 47 CFR Sections 64.3001 and 64.3002, it will provide all customers with 911 and E911 service, where available, or will coordinate with ILECs and emergency service providers to provide 911 and E911 service.

5.6 Custom Local Area Signaling Services

Consistent with past Commission decisions, the Applicant may offer Caller ID provided that per call and line blocking, with the capability to toggle between blocking and unblocking the transmission of the telephone number, are provided as options to which customers could subscribe with no charge. Also, Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated, indicating that the number has been blocked, must be offered.

6. REVIEW OF COMPLAINT INFORMATION

The Applicant has not had an Application for authority to provide service denied in any state. The Consumer Services Section of the Utilities Division ("Consumer Services") reports that there have been no complaints, inquiries, or opinions filed against Threshold through July 31, 2014. Consumer Services also reports that Threshold is in Good Standing with the Corporations Division of the Commission.

A search of the FCC's website reveals a Notice of Apparent Liability for Forfeiture ("NAL") issued by the Enforcement Bureau of the FCC to Threshold Communications, Inc. released February 24, 2009.² The NAL imposed a monetary forfeiture in the amount of one thousand dollars (\$1,000) for Threshold's failure to submit an annual Customer Proprietary Network Information ("CPNI") compliance certificate that was signed by an officer of the company. Threshold provided an Order³ issued by the Enforcement Bureau, released November 14, 2011, that removed the proposed forfeiture issued to Threshold, and five other companies, based upon additional information provided by the companies.

The Applicant indicated that none of its officers, directors or partners has been convicted of any criminal acts in the past ten (10) years. The Applicant also indicated that

² FCC DA 09-298, Adopted: February 24, 2009; Released: February 24, 2009.

³ FCC DA 11-1877, Adopted November 10, 2011; Released: November 14, 2011.

none of its officers, directors or partners has been involved in any civil or criminal investigations, or any informal complaints.

7. COMPETITIVE SERVICES ANALYSIS

The Applicant has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive.

7.1 Competitive Services Analysis For Local Exchange Services

7.1.1 A description of the general economic conditions that exist, which make the relevant market for the service one that is competitive.

The statewide local exchange market that the Applicant seeks to enter is one in which a number of CLECs have been authorized to provide local exchange service in areas previously served only by ILECs. At locations where ILECs provide local exchange service, the Applicant will be entering the market as an alternative provider of local exchange service and, as such, will have to compete with those existing companies in order to obtain customers. In areas where ILECs do not serve customers, the Applicant may have to convince developers to allow it to provide service to their developments. The areas served by CenturyLink that the Applicant seeks to enter are served by wireless carriers and VoIP service providers. This may also be the case in areas served by independent ILECs.

7.1.2 The number of alternative providers of the service.

CenturyLink and various independent ILECs provide local exchange service in the State. CLECs and local exchange resellers are also providing local exchange service. The areas served by CenturyLink that the Applicant seeks to enter are served by wireless carriers and VoIP service providers. This may also be the case in portions of the independent ILECs' service territories.

7.1.3 The estimated market share held by each alternative provider of the service.

CenturyLink and CLECs are the primary providers of local exchange service in CenturyLink's Service territories. Independent ILECs are the primary providers of local exchange service in their service territories.

7.1.4 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.

Threshold does not have any affiliates that are alternative providers of local exchange service in Arizona.

7.1.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

ILECs have the ability to offer the same services that the Applicant has requested the authority to provide in their respective service territories. Similarly, many of the CLECs, local exchange service resellers, wireless carriers and VoIP service providers also offer substantially the same services.

7.1.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The local exchange service market is:

- a. One in which ILECs own networks that reach nearly every residence and business in their service territories. Competition exists in most urban markets, but to a lesser degree in rural areas of the state.
- b. One in which new entrants will be dependent upon ILECs and other CLECs:
 1. To terminate traffic to customers.
 2. To provide essential local exchange service elements until the entrant's own network has been built.
 3. For interconnection.
- c. One in which existing ILECs and CLECs have had an existing relationship with their customers that the Applicant will have to overcome if it wants to compete in the market and one in which the Applicant will not have a history in the Arizona local exchange service market.
- d. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

7.2 *Competitive Services Analysis For Interexchange Services*

7.2.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.

The statewide interexchange market that the Applicant seeks to enter is one in which numerous facilities-based interexchange carriers and resellers of interexchange service have been authorized to provide service throughout the State. The market the Applicant seeks to enter is also served by wireless carriers and VoIP providers. The Applicant will be a new entrant in this market and, as such, will have to compete with those existing companies in order to obtain customers.

7.2.2 The number of alternative providers of the service.

There are a large number of facilities-based interexchange carriers and resellers providing interexchange service throughout the State. The market the Applicant seeks to enter is also served by wireless carriers and VoIP service providers.

7.2.3 The estimated market share held by each alternative provider of the service.

Facilities-based interexchange carriers, interexchange service resellers, independent ILECs, CLECs, wireless carriers and VoIP providers all hold a portion of the interexchange market.

7.2.4 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.

Threshold does not have any affiliates that are alternative providers of interexchange service in Arizona.

7.2.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.

Both facilities-based interexchange carriers and interexchange service resellers have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly, many of the ILECs and CLECs offer similar interexchange services. The market the Applicant seeks to enter is also served by wireless carriers and VoIP service providers.

7.2.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).

The interexchange service market is:

- a. One with numerous competitors and limited barriers to entry.
- b. One in which established interexchange carriers have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market.
- c. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.
- d. One in which the share of the market held by wireless carriers has increased over time, while that held by wireline carriers has declined.

7.3 *Competitive Services Analysis For Private Lines Services*

7.3.1 Private Line Services

Threshold proposes to provide private line service. 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.

7.3.2 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.

7.3.3 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.

7.3.4 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.

7.3.5 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.

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

7.3.6 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.

8. RECOMMENDATIONS

The following sections contain Staff recommendations on the Application for a CC&N and the Applicant's petition for a Commission determination that its proposed services should be classified as competitive.

8.1 Recommendations On The Application For A CC&N

Staff recommends that Applicant'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 comply with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;
2. That the Applicant abide by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-13-0199;
3. That the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve areas where the Applicant is the only provider of local exchange service facilities;
4. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's name, address or telephone number;

5. That the Applicant cooperate with Commission investigations including, but not limited to, customer complaints;
6. 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 the Applicant and has determined that its fair value rate base is zero. Staff has reviewed the rates to be charged by the Applicant and believes they are just and reasonable as they are comparable to other competitive local carriers and local incumbent carriers 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;
7. That the Applicant offer Caller ID with the capability to toggle between blocking and unblocking the transmission of the telephone number at no charge;
8. That the Applicant offer Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated;
9. That the Commission authorize 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.

1. The Applicant shall docket conforming tariff pages 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.
2. The Applicant shall notify the Commission through a compliance filing within 30 days of the commencement of service to end-user customers; and
3. The Applicant shall abide by the Commission adopted rules that address Universal Service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Service Fund ("AUSF"). The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204(B).

8.2 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.

NEW APPLICATION
TELECOM
IP
PROFESSIONALS, INC.

Judith A. Riley

ORIGINAL

12316 Hidden Forest Boulevard
Oklahoma City, OK 73142

August 8, 2013

Via UPS Overnight Delivery

Arizona Public Service Commission
Docket Control Center
1200 West Washington Street T-20888A-13-0273
Phoenix, AZ 85007-2927

RE: Application for Authority to offer Resold Local Exchange, Resold Interexchange, and VoIP Services in the State of Arizona for Threshold Communications, Inc.

Dear Commission:

Enclosed please find an original and thirteen (13) copies of Threshold Communications, Inc.'s ("Threshold") application for a Certificate of Authority to offer Resold Intrastate Local Exchange, Resold Intrastate Interexchange, and Voice over Internet Protocol ("VoIP") Telecommunications services throughout the State of Arizona.

Please acknowledge receipt of this filing by file-stamping the duplicate cover letter, and returning it in the self-addressed stamped envelope included for this purpose.

Should there be any questions or additional information required, please contact me at (405) 755-8177 ext. 25, or at mdean@telecompliance.net.

Sincerely,



Matt Dean
Regulatory Agent

Enclosures

Arizona Corporation Commission
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Office (405) 755-8177
(800) 406-4777

Fax (405) 755-8377
jriley@telecompliance.net



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(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):

N/A

(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:

Jeff Matson
16541 Redmond Way, #245C, Redmond, WA 98052
Phone (206) 812-6201
Fax (206) 805-6201
Email: jeff@thresholdcommunications.com

(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:

Judith A. Riley, Regulatory Consultant, Telecom Professionals, Inc.
P.O. Box 720128
Oklahoma City, OK 73172-0128
Phone (405) 755-8177 x 14
Fax (405) 755-8377
Email: jriley@telecompliance.net

(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:

Jeff Matson
16541 Redmond Way, #245C, Redmond, WA 98052
Phone (206) 812-6201
Fax (206) 805-6201
Email: jeff@thresholdcommunications.com

(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, 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.

See Attachment E

(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.

No, none of the Applicant's officers, partners, or managers have been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

(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, neither the Applicant nor any of its officers, directors, partners, or managers 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.

(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.

Applicant agrees to publish legal notice of the Application in all counties where we are requesting authority to provide service, upon Commission request to do so. See attachment C.

(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.

AT&T, Qwest

(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.

Applicant has had applications approved to offer Resold Interexchange and/or Resold Local Exchange services in the following states: California, Indiana, New York, North Carolina, Oregon, Texas, Virginia, and Washington.

Applicant has not had an application denied in any state or jurisdiction.

(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.

Applicant currently offers telecommunications services similar to those that they will or intend to offer in Arizona in the following states: California, Indiana, New York, North Carolina, Oregon, Texas, Virginia, and Washington.

(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 has no affiliates that may be considered alternative providers of service.

(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.

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

Applicant has no parent company and is relying solely on its own financial merits.

(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.

Please refer to Attachment F.

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

Please refer to Attachment F.

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.

Service is being provided under a resale arrangement. The company has no offices and no employees in Arizona.

4. If the projected value of all assets is zero, please specifically state this in your response.
5. **Projected value of assets in Arizona is \$0.00.**
6. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

N/A

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.

N/A

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

N/A

(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.

Matt W. Dean

(Signature of Authorized Representative)

August 8, 2013

(Date)

Matt W. Dean

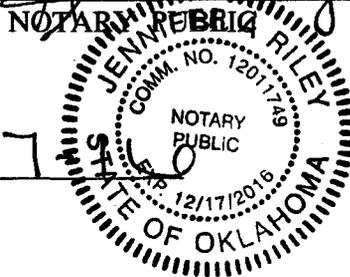
(Print Name of Authorized Representative)

Regulatory Agent

(Title)

SUBSCRIBED AND SWORN to before me this 8th day of August, 2013

Jenny Riley



My Commission Expires

12-17-16

LIST OF ATTACHMENTS

ATTACHMENT A	A-8.1 A-8.2 A-8.3	Arizona Certificate of Good Standing List of Corporate Officers Ownership Percentages
ATTACHMENT B-1	A-9	Proposed Tariff - No. 1 CLEC
ATTACHMENT B-2	A-9	Proposed Tariff – No. 2 IXC
ATTACHMENT C	A-16	Affidavit of Publication
ATTACHMENT D	B-2	Financial Statements - 2011 & 2012 Public Version
ATTACHMENT E	A-10	Map of Proposed Service Area
ATTACHMENT F	B-4	Projected Total Revenue for First 12 Months – Expected Operating Expenses for First 12 Months

ATTACHMENT A

- A-8.1 Arizona Certificate of Good Standing
- A-8.2 List of Limited Liability Company Managers
- A-8.3 Ownership Percentages

A-8.1 Arizona Certificate of Good Standing

See following page

A-8.2 List of Corporate Officers

Jeff Matson, Chief Executive Officer
Rick Crabbe, President
Karen Matson, Chief Operating Officer

All Officers can be reached at the Applicant's Principal Business Address:

16541 Redmond Way, #245C, Redmond, WA 98052

Toll Free (877) 820-8900

Phone (206) 812-6200

Fax (206) 686-7800

A-8.3 Ownership Percentages

<u>Name and Title</u>	<u>Ownership Percentage</u>
Jeff Matson, Chief Executive Officer	100%

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Jodi A. Jerich, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****THRESHOLD COMMUNICATIONS, INC.*****

a foreign corporation organized under the laws of Washington did obtain authority to transact business in the State of Arizona on the 7th day of June 2013.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal 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 8th Day of August, 2013, A. D.



Jodi A. Jerich
Jodi A. Jerich, Executive Director

By: _____ 947058

ATTACHMENT B-1

A-9 Proposed Tariff - No. 1 CLEC

A-9.1	Proposed Rates and Charges	Page 56
A-9.2	Maximum Rates and Charges	Page 56
A-9.3	Terms and Conditions	Page 19
A-9.4	Deposits and Advances	Page 51
A-9.5	Returned Check Fee	Page 39

THRESHOLD COMMUNICATIONS, INC

**RATES, RULES AND ADMINISTRATIVE REGULATIONS,
AS FILED WITH THE ARIZONA CORPORATION COMMISSION,
FOR FURNISHING RESOLD LOCAL EXCHANGE SERVICES
TO BUSINESS END USERS WITHIN THE STATE OF ARIZONA**

Issued:

Effective Date:

Issued By:

Mr. Jeff Matson
President
Threshold Communications, Inc.
16451 Redmond Way, #254C
Redmond, WA 98052-4482
888.820.7833

CHECK LIST

The Sheets of this tariff are effective as of the date shown at the bottom of each respective page(s). Original and revised pages as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

<u>PAGE</u>	<u>Revision</u>	<u>PAGE</u>	<u>Revision</u>	<u>PAGE</u>	<u>Revision</u>
1	Original	31	Original	61	Original
2	Original	32	Original	62	Original
3	Original	33	Original	63	Original
4	Original	34	Original		
5	Original	35	Original		
6	Original	36	Original		
7	Original	37	Original		
8	Original	38	Original		
9	Original	39	Original		
10	Original	40	Original		
11	Original	41	Original		
12	Original	42	Original		
13	Original	43	Original		
14	Original	44	Original		
15	Original	45	Original		
16	Original	46	Original		
17	Original	47	Original		
18	Original	48	Original		
19	Original	49	Original		
20	Original	50	Original		
21	Original	51	Original		
22	Original	52	Original		
23	Original	53	Original		
24	Original	54	Original		
25	Original	55	Original		
26	Original	56	Original		
27	Original	57	Original		
28	Original	58	Original		
29	Original	59	Original		
30	Original	60	Original		

*Denotes new or revised page

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CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

OTHER PARTICIPATING CARRIERS

None

EXPLANATION OF SYMBOLS

- (C) To signify **changed** condition or regulation
- (D) To signify **deleted or discontinued** rate, regulation or condition
- (I) To signify a change resulting in an **increase** to a Customer's bill
- (M) To signify that material has been **moved from** another Tariff location
- (N) To signify a **new** rate, regulation condition or sheet
- (R) To signify a change resulting in a **reduction** to a Customer's bill
- (T) To signify a change in **text** but no change to rate or charge

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TARIFF FORMAT

- A. **Sheet Numbering** - Sheet numbers appear in the heading of each sheet. Sheets are numbered sequentially. However, occasionally, when a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. **Sheet Revision Numbers** - Revision numbers also appear in the upper right corner of each sheet. These numbers are used to determine the most current sheet version on file with the Commission. For example, the 4th revised Sheet 14 cancels the 3rd Revised Sheet 14. Because of various suspension periods, deferrals, etc. the Commission follows in its Tariff approval process, the most current sheet number on file with the Commission is not always the sheet in effect. Consult the Check Sheet for the sheet currently in effect.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of code 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).I.
 - 2.1.1.A.1.(a).I.(i).
 - 2.1.1.A.1.(a).I.(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 the sheets contained in the Tariff with a cross-reference to the current revision number. When new sheets 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 sheet if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some sheets). The Tariff user should refer to the latest Check Sheet to find if a particular sheet is the most current on file with the Commission.

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APPLICATION OF TARIFF

This Tariff contains the rates, terms and conditions applicable to the provision of specialized resold local common carrier telecommunications services by Threshold Communications, Inc. between various locations within the State of Arizona.

All services are interstate offerings. Intrastate service is an add-on service available only if the Customer subscribes to the Company's interstate offerings.

Issued:

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Account Code:

A numerical code, one or more of which are available to a Customer to enable identification of individual users or groups of users on an account and to allocate costs of service accordingly.

Authorized User:

A person, firm, corporation or other entity that either is authorized by the Customer to use local exchange service or is placed in a position by the Customer, either through acts or omissions, to use the Company's services.

Called Station:

The terminating point of a call (i.e., the called number).

Calling Card:

A card issued by Company containing such account numbers assigned to its Customer which enables the charges for calls made to be properly billed on a pre-arranged basis.

Commission:

Arizona Corporation Commission ("Commission")

Company:

Threshold Communications, Inc. ("Threshold")

Credit Card:

A valid bank or financial organization card, representing an account to which the costs of products and services purchased by the card holder may be charged for future payment. Such cards include those issued by VISA or MasterCard.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, Continued

Customer:

The person, firm, corporation or other entity, which orders or uses service and is responsible for payment of charges and compliance with Tariff regulation.

Dedicated Access:

Non-switched access between a Customer's premises and the point of presence of the Company's underlying carrier.

Disconnect or Disconnection:

The termination of a circuit connection between the originating station and the called station or the Company's operator.

Gbps

Gigabits or 1,000 Mbps bits per second. Used in reference to data transmission speed.

Internet Gateway

A switching device which connects the public switched network to dedicated Internet facilities

Kbps

Kilobits or 1,000 bits per second. Used in reference to data transmission speed.

Loop

A private physical transmission path between a switch and a customer's premises. Usually a T1 portion of a DS3 facility.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, Continued

Mbps

Megabits or 1,000,000 bits per second. Used in reference to data transmission speed.

Measured Service:

The provision of long distance measured time communications telephone service to customers who access the Company's service at its contracted interexchange carriers' switching and call processing equipment by means of access facilities obtained from local exchange common carrier(s). Company contacted interexchange carrier is responsible for arranging the access lines.

Message Telecommunications Service

Ordinary, switched, long-distance service charged on a usage sensitive basis.

Packet

A group of unstructured data transmissions that have been disassembled and formatted in preparation to be transmitted over some medium to be reassembled once received at the destination location.

Point of Presence:

The point of physical interconnection between the local exchange company's local network and the interexchange carrier's network ("POP").

Port

A physical interface connection point between a network facility and a switch.

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS, Continued

Tariff

This document, which sets forth the Company's rates, services, terms and conditions of service in Arizona.

Private Line

A non-switched telecommunications path between a Customer's premises and Company's switch.

Private Virtual Circuit

A shared portion of a high-capacity network facility which provides the Customer with the equivalent functionality of the facility, without requiring that the Customer lease the entire facility.

Subscriber:

See "Customer" definition.

Travel Card

See definition of "Calling Card."

User:

Any person or entity that obtains the Company's services provided under this Document, regardless of whether such person or entity is so authorized by the Customer.

"800" or "Toll Free" Number:

An interexchange service offered pursuant to this Document for which the called party is assigned a unique 800-NXX-XXXX, 888-NXX-XXXX, 877-NXX-XXXX number, 866-NXX-XXXX or 855-NXX-XXX, or any other NPA, and is billed for calls terminating at that number.

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SECTION 2 - RULES AND REGULATIONS

2.1. UNDERTAKING OF THE COMPANY

- 2.1.1. Company's Services are furnished for telecommunications originating and/or terminating in any area within the State of Arizona.
- 2.1.2. Company offers resold, non-facilities-based telecommunications services to Customers for the direct transmission and reception of voice, data, and other types of communications.
- 2.1.3. The Company's services are provided on a monthly basis and are available twenty-four (24) hours per day, seven (7) days per week.
- 2.1.4. Provision of the Company's services is dependent upon the availability of suitable facilities for services. The facilities used to provide a particular service are chosen by the Company and are not represented to be suitable for any one service.
- 2.1.5. The Company's Services are provided on a monthly basis unless otherwise provided, and are available twenty-four (24) hours per day, seven (7) days per week.

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