

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 9, 2007

IN RE:

JOINT APPLICATION OF INTEGRA
TELECOM HOLDINGS, INC. AND ELECTRIC
LIGHTWAVE, LLC FOR APPROVAL OF A
TRANSFER OF ELECTRIC LIGHTWAVE, LLC

DOCKET NO.
06-00073

ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on May 30, 2006 for consideration of the *Joint Application* filed on March 17, 2006 by Integra Telecom Holdings, Inc. (“Integra”) and Electric Lightwave, LLC (“ELI” together “Applicants”).

The Joint Application

Integra is an Oregon corporation with principal offices located in Portland, Oregon. Integra is a wholly owned subsidiary of Integra Telecom, Inc. Through its state-specific operating subsidiaries, Integra provides local telephone service, long distance calling, and high-speed Internet access to small and mid-sized businesses in several states. Integra also provides long distance services in two states. Integra is a facilities-based service provider, operating its network from various switching centers throughout its operating regions. Today, Integra serves over 300,000 access line equivalents across its operating area. Integra differentiates itself by staffing locally based customer care, technical, and account management professionals whose goal is to provide high-level, personalized client service and satisfaction and by investing substantial capital in building and operating a facilities based proprietary operating network.

ELI is a limited liability company organized under the laws of Delaware with principal offices in Vancouver, Washington. ELI's sole member is CU Capital LLC ("CU Capital"), a Delaware limited liability company, whose sole member is Citizens Communications Company ("Citizens"), a Delaware corporation. ELI is an integrated communications provider of local telephone, data, network, and long distance services to small and medium enterprise businesses, carriers, and the growing e-commerce market. Nationwide, ELI offers long distance, data, Internet access and broadband transport services. In Tennessee, ELI provides service to approximately five customers, and is authorized to provide operator services and/or resell telecommunications services granted by the Authority Order in Docket No. 98-00578 on August 10, 1999. Subsequently, the Authority approved ELI's request for a name change from Electric Lightwave, Inc. to Electric Lightwave, LLC in Docket No. 05-00010.

The *Joint Application* was filed on March 17, 2006, requesting approval from the Authority to consummate a transaction whereby Integra will acquire direct control of ELI. The Applicants requested the Authority grant approval as expeditiously as possible prior to, but no later than, June 30, 2006, so that Applicants can timely consummate the proposed transaction to meet important business objectives.

The proposed transaction will occur as a result of a Membership Interest Purchase Agreement and Plan of Merger ("Agreement") the parties entered into, where Integra will purchase from CU Capital all of the issued and outstanding membership interests in ELI, and will become the sole controlling member of ELI. According to the *Joint Application*, the purchase price to be paid by Integra will be approximately \$247 million including \$243 million in cash plus the assumption of \$4 million in capital leases, subject to customary adjustments. Immediately following the transaction, ELI will continue to operate as a separate subsidiary of Integra. On April 28, 2006, in WC Docket No. 06-62, the FCC granted and/or approved the Applicants' Domestic Section 214 Application regarding the transfer of control of ELI to Integra.

The *Joint Application* certifies that although the proposed transaction will result in a change in the ownership of ELI, the proposed transaction will not affect the assets ELI currently holds or adversely affect

any of the customers who receive service in connection with ELI's on-going operations. Immediately following the consummation of the transaction, the *Joint Application* certifies that customers will continue to receive service under the same rates, terms and conditions of service. In addition, the *Joint Application* certifies the proposed transfer of control of ELI to Integra is expected to be seamless and virtually transparent to Tennessee customers in terms of the services they receive.

In connection with the above-referenced transfer transaction, the Applicants propose to participate in certain financing arrangements. Specifically, Integra raised a total of \$450 million to finance the acquisition of ELI and to refinance Integra's current loan obligations and for excess operating cash, transition expenses, and fees. The \$450 million financing package includes two facilities. On the first lien facility, CIBC World Markets Corp. will act as Sole Lead Arranger and Co-Bookrunner with Golden Sachs Specialty Lending Group, LP acting as Co-Bookrunner and Administrative Agent. Goldman Sachs Specialty Lending Group, LP will co-underwrite the second lien facility with various investors. The two lien facilities will be secured by the assets of Integra's operating subsidiaries. In addition, all of Integra's operating subsidiaries will act as guarantors for the transaction. Upon closing of the proposed transaction, ELI will be a subsidiary of Integra and, therefore, will be required to pledge its assets as securities and act as a guarantor. ELI, however, does not have any assets in Tennessee.

This transaction serves the public interest and will be transparent to the customers of ELI. The proposed transaction will provide the Applicants with access to each other's advanced network capabilities, technical and financial strengths and complementary services, which together are expected to strengthen the Applicants' ability to expand their offerings and provide more advanced telecommunications services. Applicants expect the proposed transaction will enable ELI to continue to offer innovative products and to further strengthen its competitive position to the benefit of Tennessee consumers and the State's telecommunications marketplace. The transfer of control of ELI will not result in a change of carrier for end user customers; therefore, no customer notification

letter is needed. The *Joint Application* certifies that following consummation of the proposed transaction, ELI will continue to provide high-quality communications services to its customers without interruption and without immediate change in rates, terms or conditions. In addition, the transaction is expected to be seamless and not result in the discontinuance, loss, or impairment of services to customers.

According to a supplement regarding the pending *Joint Application*, proceeds from the financing transaction will be used to finance the acquisition of ELI, to refinance Integra's current loan obligations, and for excess operating cash, transition expenses, and fees.

May 30, 2006 Authority Conference

Tenn. Code Ann. § 65-4-113 (2004) requires a public utility to obtain TRA approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) (2004) reads as follows:

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) (2004) provides the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

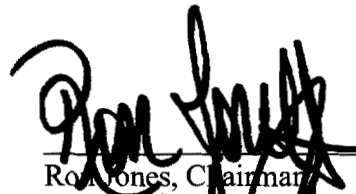
At the regularly scheduled Authority Conference held on May 30, 2006, the voting panel assigned to this docket considered the indirect transfer of authority requested in the *Joint Application*. The panel found that Tenn. Code Ann. § 65-4-113 (2004) applies to this transaction. Thereafter, based upon the evidentiary and administrative record as a whole and relying on the legal standard set


forth in Tenn. Code Ann. § 65-4-113 (2004), the panel determined that the transfer furthers the public interest and voted unanimously to grant approval of the *Joint Application*.


IT IS THEREFORE ORDERED THAT:

1. The indirect transfer of authority of Electric Lightwave, LLC to Integra Telecom Holdings, Inc. as described in the *Joint Application* and discussed herein is approved.

2. Because this transaction is an indirect transfer of authority, Electric Lightwave, LLC will retain its certificate of public convenience and necessity.



Ron Jones, Chairman

Pat Miller, Director

Sara Kyle, Director