

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 4, 2007

IN RE:

**APPLICATION OF ELECTRIC LIGHTWAVE, LLC
FOR APPROVAL OF FINANCING ARRANGEMENT**

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**DOCKET NO.
07-00112**

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Sara Kyle, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on June 25, 2007 for consideration of the *Application* requesting approval to participate in certain financing arrangements filed on May 14, 2007 by Electric Lightwave, LLC (“Electric Lightwave” or “Applicant”).

Electric Lightwave is a Delaware limited liability company with corporate offices in Portland, Oregon. Electric Lightwave is a wholly-owned subsidiary of Integra Telecom Holdings, Inc. (“Integra”) which is in turn a wholly-owned subsidiary of Integra Telecom, Inc. (“Parent”). Electric Lightwave is authorized to provide interstate and international telecommunications services by the Federal Communications Commission. In Tennessee, Electric Lightwave is authorized to provide operator services and/or resell telecommunications services pursuant to Authority Order issued in Docket No. 98-00578, and was granted a name change from Electric Lightwave, Inc. to Electric Lightwave, LLC in Docket No. 05-00010.

The Application

The Applicant requests approval to participate in a financing arrangement whereby the Applicant's parent company, Integra, will acquire all the outstanding equity interests of Eschelon Telecom, Inc. ("Eschelon"). After the transaction, Integra will hold 100% of the stock of Eschelon, and Eschelon and its operating subsidiaries will be merged into an entity named ITH Acquisition Corp., created solely to facilitate this transaction. Eschelon will emerge the surviving entity; the combined entity will retain the name Eschelon and will be wholly-owned by Integra.

Integra and Eschelon entered into an Agreement and Plan of Merger ("Agreement") dated March 19, 2007, which provides that Eschelon shareholders will be paid thirty dollars (\$30) for each share of Eschelon they own. Integra will pay an aggregate purchase price of 710 million dollars for ownership of Eschelon. To finance the acquisition, Parent will incur a total of approximately 1.2 billion dollars in new debt to be funded in two loan facilities. The remainder of the loans not used to purchase stock of Eschelon or repay Eschelon's debt will be used to refinance Integra's current loan obligations, pay transition expenses and fees, and for excess operating capital. The loans will be secured by the utility plant and assets of Integra's subsidiaries, including Electric Lightwave. The Integra subsidiaries will be required to pledge their assets as security and act as guarantors. Electric Lightwave is the only entity involved in this transaction that holds certification from this Authority. However, Electric Lightwave has no assets in Tennessee.

The proposed transaction will be virtually transparent to customers of Electric Lightwave and will not result in any service interruption or change in the customers' carrier, rates, terms or conditions of service. The acquisition is expected to enable Integra and its operating

subsidiaries, including Eschelon, to further strengthen their competitive positions and continue to offer innovative products for the benefit of their customers.

Findings and Conclusions

The Applicant's request for approval to participate in a financing transaction is governed by Tenn. Code Ann. § 65-4-109 (2004) which provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

At a regularly scheduled Authority Conference held on June 25, 2007, the panel voted unanimously to approve the *Application* based on the following findings:

1. Tenn. Code Ann. § 65-4-109 (2004) applies to this financing transaction because the obligations described in the *Application* constitute evidence of indebtedness payable in more than one year.
2. The financing transactions are being made in accordance with laws enforceable by this Agency.
3. The Applicant is certificated in Tennessee, has Tennessee customers, and has stated that it has filed similar petitions in other states and that federal approval of the indebtedness is not required.
4. Based on the assertion in the *Application*, the transaction will further the public interest.
5. Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace, which includes obtaining information on the financial transactions and fitness of certificated telecommunications carriers.

6. The burden of compliance with Tenn. Code Ann. § 65-4-109 (2004) is minimal, as such, compliance should be perfunctory given the telecommunications industry's movement to a competitive environment.


IT IS THEREFORE ORDERED THAT:

1. Electric Lightwave, LLC is authorized to participate in the financing transaction as described in the *Application* and discussed herein.

2. The Authority's approval of this transaction should not be used by any party for the purpose of inferring an analysis or assessment of the risks involved. Additionally, this decision is not intended to create any liability on the part of this Agency, State or other political subdivision thereof.


Sara Kyle, Chairman


Pat Miller, Director


Ron Jones, Director