

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Granite Telecommunications, LLC (U 6842 C) to Expand its Certificate of Public Convenience and Necessity to Provide Limited facilities-based and resold local exchange telecommunications services into the Service Territories of SureWest Telephone, and Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California.

Application 16-01-008
(Filed January 21, 2016)

DECISION APPROVING SETTLEMENT AGREEMENT; AND GRANTING GRANITE TELECOMMUNICATIONS, LLC AN EXPANSION OF ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE LIMITED FACILITIES-BASED AND RESOLD LOCAL EXCHANGE SERVICE IN CALIFORNIA

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**DECISION APPROVING SETTLEMENT AGREEMENT; AND GRANTING
GRANITE TELECOMMUNICATIONS, LLC AN EXPANSION OF ITS
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE
LIMITED FACILITIES-BASED AND RESOLD LOCAL EXCHANGE SERVICE
IN CALIFORNIA**

Summary

This decision grants Granite Telecommunications, LLC, authorization to expand its certificate of public convenience and necessity in order to provide limited facilities-based and resold local exchange telecommunications services in the service territory of Consolidated Communications of California Company, formerly SureWest Telephone, and all of the service territory of Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California. This decision adopts the Settlement Agreement between Granite Telecommunications, LLC, and the Commission's Consumer Protection and Enforcement Division.

This proceeding is closed.

1. Background

Pursuant to Decision (D.) 03-12-048, Granite Telecommunications, LLC (Granite), is currently authorized by the California Public Utilities Commission (Commission) to provide limited facilities-based and resold local exchange telecommunications services to customers in the service territory of Pacific Bell Telephone Company d/b/a AT&T California (AT&T), the former service territory of Verizon,¹ and to provide interexchange service in California.

¹ Granite was authorized in Decision 03-12-048 to provide limited facilities-based local exchange telecommunications services in the former service territory of Verizon California Inc. (Verizon). As of April 1, 2016, Verizon's operations in California were acquired, and are now

Footnote continued on next page

This application was filed by Granite in order to expand its certificate of public convenience and necessity (CPCN) authorization to provide limited facilities-based and resold local exchange telecommunications services in the service territory of Consolidated Communications of California Company, formerly SureWest Telephone (Consolidated), and all of the service territory of Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California (Frontier). Granite intends to continue to provide its limited facilities-based and resold local exchange telecommunications services to customers by connecting with other incumbent providers.

Granite's principal place of business is located at 100 Newport Avenue Extension, Quincy, MA 02171.

2. Relevant Procedural History

Granite filed application (A.)16-01-008 (Application) with the Commission on January 21, 2016. On February 11, 2016, the Commission's Consumer Protection and Enforcement Division (CPED)² protested the Application alleging that Granite failed to submit financial information with its Application as required by the Commission, and failed to disclose prior adverse regulatory actions by the Federal Communications Commission against Granite in violation of Rule 1.1 of the Commission's Rules of Practice and Procedure. CPED requests that the Commission impose penalties/sanctions on Granite, or consider denying the Application for the alleged violations.

operated, by Frontier pursuant to Decision 15-12-005. Accordingly, Granite is currently authorized to provide local exchange telecommunications services in some but not all parts of Frontier's territory.

² CPED is formerly known as the Commission's Safety and Enforcement Division or SED.

On March 3, 2016, the Administrative Law Judge (ALJ) issued a ruling requesting additional information from Granite and setting a Prehearing Conference (PHC) for March 17, 2016. On March 14, 2016, the March 17, 2016 PHC was cancelled after Granite indicated that it would amend the Application in order to address the issues raised in CPED's protest. On March 22, 2016, Granite amended the Application. A PHC was held on May 25, 2016, and on June 9, 2016, the Assigned Commissioner issued her Scoping Memo and Ruling.

On July 6, 2016, Granite and CPED (the Parties) notified the Commission that they were participating in the Commission's voluntary Alternative Dispute Resolution (ADR) program to discuss possible settlement of the issues in this proceeding. The Parties jointly requested that the procedural schedule for the proceeding be suspended.³ The July 7, 2016 ALJ ruling granted the Parties' request and suspended the procedural schedule for one month.

On July 29, 2016, the Parties notified the Commission they reached a settlement that would resolve all issues in CPED's protest, and requested that all dates set in A.16-01-008 be continued in order to afford the Parties additional time to prepare and submit a written settlement agreement to the Commission for approval. The ALJ granted the Parties' request on August 1, 2016, and all procedural dates including the August 16, 2016 evidentiary hearing date were continued.

On August 15, 2016, the Parties submitted a settlement agreement (Settlement) and a joint motion requesting approval of the settlement (Motion).

³ While the Commission preliminarily determined that this proceeding did not require evidentiary hearings, an evidentiary hearing was scheduled due to the protest filed in this proceeding and the issues raised and identified in the protest.

The Settlement is attached herein as Appendix E. Due to the filing of the Settlement in this case, an evidentiary hearing in this proceeding is unnecessary at this time, and the procedural schedule adopted in the June 9, 2016 Scoping Memo remains suspended.

3. Jurisdiction

Public Utilities Code Section 216(a) defines the term “Public utility” to include a “telephone corporation,” which in turn is defined in Public Utilities Code Section 234(a) as “every corporation or person owning, controlling, operating, or managing any telephone line for compensation within this state.”

Granite proposes to provide local exchange telecommunications services to customers in California. Accordingly, Granite is a telephone corporation and a public utility subject to the Commission’s jurisdiction.

4. California Environmental Quality Act (CEQA)

The CEQA requires the Commission act as the designated lead agency to assess the potential environmental impact of a project in order that adverse effects are avoided, alternatives are investigated, and environmental quality is restored or enhanced to the fullest extent possible. Since Granite does not intend to construct any facilities other than equipment to be installed in existing buildings or structures, it can be seen with certainty that there is no possibility that granting this Application will have an adverse impact upon the environment. Before it can construct facilities other than equipment to be installed in existing buildings or structures, Granite must file for additional authority, and submit to any necessary CEQA review.

5. Financial Qualifications

Pursuant to Rule 3.1(g), a CPCN applicant for authority to provide facilities-based and resold local exchange telecommunications services must

demonstrate that it has a minimum of \$100,000 of cash or cash equivalent to meet the firm's start-up expenses.⁴ An applicant must also demonstrate that it has sufficient additional resources to cover all deposits required by local exchange carriers (LECs) in order to provide the proposed service.⁵ Granite provided audited financial statements that demonstrate that it has sufficient cash to satisfy the financial requirements.

6. Technical Qualifications

To be granted a CPCN for authority to provide local exchange telecommunications services, an applicant must make a reasonable showing of managerial and technical expertise in telecommunications or a related business.⁶ Granite is currently authorized to provide telecommunications service in California and seeks to expand its areas of services. This Application demonstrated that Granite has sufficient managerial and technical expertise in telecommunications to operate as a telecommunications provider. Granite meets the Commission's requirement herein.

Other than as discussed in this decision below, or as resolved in the proposed Settlement Agreement herein approved, Granite verified that no one

⁴ The financial requirement for CLCs is contained in D.95-12-056, Appendix C. The financial requirement for NDIECs is contained in D.91-10-041.

⁵ The financial requirement for Competitive Local Exchange Carriers (CLEC) is contained in D.95-12-056, Appendix C. The financial requirement for Non-Dominant Interexchange Carriers (NDIECs) is contained in D.91-10-041. Also, *see* Rule 2.3. In addition, the requirement for Competitive Local Carrier (CLC) applicants to demonstrate that they have additional financial resources to meet any deposits required by underlying Local Exchange Carriers (LEC) and/or Interexchange Carriers (IECs) is set forth in D.95-12-056, Appendix C. For NDIECs, the requirement is found in D.93-05-010.

⁶ D.95-12-056 at Appendix C, Rule 4.A.

associated with or employed by Granite as an affiliate, officer, director, partner, or owner of more than 10 percent of Granite: (a) held one of these positions with a company that filed for bankruptcy; (b) been personally found liable, or held one of these positions with a company that has been found liable, for fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (c) been convicted of a felony; (d) been the subject of a criminal referral by judge or public agency; (e) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction; (f) personally entered into a settlement, or held one of these positions with a company that has entered into settlement of criminal or civil claims involving violations of sections 17000 et seq., 17200 et seq., or 17500 et seq. of the California Business & Professions Code, or of any other statute, regulation, or decisional law relating to fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; or (g) been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries; (h) entered into any settlement agreements or made any voluntary payments or agreed to any other type of monetary forfeitures in resolution of any action by any regulatory body, agency, or attorney general; or (i) is being, or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order.

7. Settlement Agreement Between CPED and Granite

The Parties submitted their Settlement for Commission approval pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure (Rule). The Parties contend that the proposed Settlement, which resolves all issues in this proceeding is in the public interest, reasonable in light of the whole record and consistent with the law. The Parties explained that they entered into the

Settlement in order to avoid the costs and risks of further litigation, and to expeditiously resolve this matter. Thus, Granite and CPED, the only parties in this proceeding, requested that the Commission approve and adopt the Settlement as a fair and reasonable resolution of the protest to A.16-01-008, without modification.

7.1. Settlement Agreements and Rule 12.1 Analysis

In evaluating a settlement, the Commission is guided by Rule 12.1(d). Historically, the Commission has favored settlements as a means of resolving contested issues where the settlement is in the public interest, reasonable in light of the whole record, and consistent with the law.⁷ Generally, the Parties' evaluation carries material weight in the Commission's review of a settlement.⁸

The record of this proceeding shows that the proposed Settlement is in the public interest, consistent with the law, and is reasonable in light of the whole record in this proceeding, as further discussed below.

The proposed settlement is in the public interest because it is consistent with the Commission's policy of supporting resolution of disputed matters through settlement, in order to avoid unnecessary expenditure of time and other resources, and the uncertainty of evidentiary hearings and litigation.

The Settlement is supported by the record in this proceeding. It holds Granite accountable and provides consequences for Granite's failure to disclose prior adverse regulatory actions against it by the Federal Communications Commission in violation of Rule 1.1.

⁷ Rule 12.1(d); See also, D.07-05-060.

⁸ See *In re Southern California Gas Co.* (1999) D.00-09-034, 2000 Cal. PUC LEXIS 694, at *31.

The Settlement is in the public interest because it provides the public with benefits by sending a clear message to Granite and others about the importance of complying with the Commission's certification requirements and regulatory processes. In addition, the penalty imposed by the Commission on the applicant should serve as future deterrence to others.

The Settlement acknowledges that Granite failed to disclose in its Application two complaints against it before the Federal Communications Commission regarding unauthorized change of subscriber's telecommunications carrier in violation of Commission's Rule 1.1. Importantly, Granite agrees to fully meet its regulatory and legal obligations in California in the future.

For its violation of Rule 1.1, Granite agreed to pay a \$15,000 penalty to the State of California General Fund within thirty (30) days of the calendar date of the Commission's Decision approving this Settlement and granting Granite's expanded CPCN. In addition, Granite has agreed to provide a compliance report to the Commission regarding its customers for a period of one year following the approval of the Settlement.

Public Utilities Code Section 2107 provides that "any public utility that violates or fails to comply with any ..., rule, direction, demand, or requirement of the commission, in a case in which a penalty has not otherwise been provided, is subject to a penalty of not less than five hundred dollars (\$500), nor more than fifty thousand dollars (\$50,000) for each offense". Accordingly, the penalty for Granite's two offences could range from \$1,000 to \$100,000.

In assessing the reasonableness of the penalty imposed by the Settlement, we apply to the criteria set forth in D.98-12-075 for guidance, and evaluate: (1) the severity of the economic or physical harm resulting from the violation; (2) the utility's conduct to prevent, detect, disclose, and rectify the violation; (3) the

utility's financial resources; (4) the public interest involved; (5) the totality of the circumstances; and (6) Commission precedents.

Based on the above criteria, we find that the scope and severity of the economic or physical harm resulting from Granite's violation is limited, and that its failure to disclose the violation was neither intentional nor concealed, and Granite amended its Application in order to address the violation. In addition, our consideration of Granite's financial resources, the public interest involved, the totality of the circumstances, and Commission precedents lead to the overall conclusion that, based on the record in this proceeding the \$15,000 penalty imposed in this proceeding is reasonable. The \$15,000 represents a significant penalty, which should serve as an effective deterrence while not impacting Granite's ability to provide safe and reliable service to its customers.

The Settlement is consistent with the law because it provides sufficient information to enable the Commission to enforce the terms of the Settlement and discharge its future regulatory obligations with respect to the Parties and their interests. The Settlement does not contravene any statutory provisions or prior Commission decisions. It does not constitute a precedent regarding any principle or issue in this proceeding or any future proceeding.

The benefits of approving this Settlement, including Granite's payment of penalty to the General Fund offers a reasonable resolution in light of the whole record, and avoids continued litigation and associated costs.⁹

⁹ See D.07-05-060, OP., at 6.

Having evaluated the terms of the Settlement in light of Rule 12.1(d), the Settlement submitted by the Parties fairly resolves all issues in CPED's protest, and the Commission should adopt the Parties' Settlement without modification.

For the above reasons, we find that Granite is in compliance with the requirements of D.95-12-056.

8. Tariffs

In Granite's original Application for a CPCN, Commission staff:

(1) reviewed Granite's draft tariffs for compliance with Commission rules and regulations; (2) identified certain deficiencies in Granite's tariff; and (3) directed Granite to correct these deficiencies in its tariff compliance filing as a condition of the Commission's approval of Granite's original CPCN application.¹⁰

Granite shall revise/update its tariff to include rates and services for the service territories authorized by this decision. Granite shall submit the updated/revised tariff in a compliance tariff filing with the Commission as a condition of granting the expanded CPCN authority herein.

9. Map of Service Territory

To be granted a CPCN for authority to provide local exchange service, an applicant must provide a map of the service territories it proposes to serve.¹¹ In its Response, Granite provided a map of the location of its proposed service territory, in compliance with this requirement.

¹⁰ See Decision (D.) 03-12-048, Attachment A; and Application (A.) 03-08-026).

¹¹ D.95-12-056 at Appendix C, Rule 4.E.

10. Expected Customer Base

Granite provided its estimated customer base for the first and fifth years of operation in its Application. Therefore, Granite has complied with this requirement.

11. Requested Treatment as a Non-Dominant Carrier

Granite requests treatment as a non-dominant carrier, which would include exemption from the requirements of Pub. Util. Code §§ 816-830 concerning stocks and security and § 851 concerning the encumbrance and transfer of utility property. The Commission detailed its rules regarding exemption of non-dominant carriers in D.85-01-008, and subsequently modified in D.85-07-081 and D.85-11-044. We grant Granite's request for non-dominant carrier status, provided Granite follows all rules detailed in the above referenced decisions.¹²

12. Exemption from Uniform System of Accounts Requirements

Pursuant to D.99-02-038, Granite requests that it be exempted from the requirement to maintain its books and records according to the Uniform System of Accounts (USOA).¹³

Pursuant to D.99-02-038, the Commission may exempt NDIECs, non-dominant CLECs and competitive local carriers (CLCs) from certain accounting requirements, and may allow NDIECs and CLCs that are not part of

¹² While the Commission has granted exemption from §§ 816 - 830 to others, exemption from §§ 851 - 854 has not been granted previously and is not granted here.

¹³ The USOA was developed by the Federal Communications Commission (FCC) and is set forth in Title 47, Code of Federal Regulations, Part 32. California adopted a version of the FCC's USOA in Order Instituting Investigation 87-02-023.

an ILEC corporate entity from complying with USOA requirements. Based on D.99-02-038, this exemption “will not hinder the Commission’s enforcement responsibilities” because exempt CLCs, NDIECs and CLECs are still required to maintain their books in accordance with the GAAP, and continue to make their accounting records available to the Commission upon demand pursuant to § 581.

Thus, the Commission should grant Granite relief from the requirement to keep its books of account in conformance with USOA and require Granite: (1) to maintain its books in accordance with GAAP as provided in D.99-02-038; and (2) comply with § 581 by making its accounting books available to the Commission upon demand.

13. Safety Considerations

With the adoption of the *Safety Policy Statement of the California Public Utilities Commission* on July 10, 2014, the Commission has, among other things, heightened its focus on the potential safety implications of every proceeding. We have considered the potential safety implications here. We are satisfied that Granite will meet the Commission’s minimum safety goals and expectations of CLEC’s because: (1) Granite has taken steps to meet the financial requirements as set forth in this decision for a facilities-based CLEC, and (2) Granite is a public utility that is required pursuant to Pub. Util. Code § 451 to “... furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities ... as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.”

14. Conclusion

Overall, we find that: (1) Granite meets the requirements to be granted the authority to expand its CPCN in order to provide limited facilities-based and

resold local exchange telecommunications services in additional service territories; (2) Granite is fit to operate as a telecommunications service provider in California; and (3) granting Granite's Application will benefit the public interest by expanding the availability of telecommunications services within the state.

The Commission should grant Granite the requested expansion of its CPCN to enable it provide limited facilities-based and resold local exchange telecommunications services in the service territories of Consolidated/SureWest, and all of the service territory of Frontier as requested in A.16-01-008. The approval of Granite's Application to expand its CPCN should be conditioned on its compliance with the terms of the Settlement Agreement, and compliance with the Commission's laws, regulations and decisions in the future. Finally, based on this record, hearings are not necessary in this proceeding.

We conclude that Granite's Application conforms to the Commission's rules for certification as a competitive local exchange telecommunications services provider, and accordingly, we grant Granite's Application to expand its CPCN to provide limited facilities-based and resold local exchange telecommunications services in the service territories of Consolidated/SureWest, and all of the service territory of Frontier subject to the terms and conditions set forth in the Ordering Paragraphs.

The CPCN granted and/or expanded by this decision provides benefits to Granite and corresponding obligations. Granite receives authority to operate in the prescribed service territory, it can request interconnection with other telecommunications carriers in accordance with Section 251 of the Federal Communications Act (47 U.S.C. 251), and it receives access to public rights of way in California as set forth in D.98-10-058 subject to the CEQA requirements

set forth in this decision. In return, Granite is obligated to comply with all applicable Public Utilities Codes and Commission Rules, General Orders, and decisions applicable to telecommunications carriers providing authorized services. These include, but are not limited to consumer protection rules, tariffing, and reporting requirements. Moreover, Granite is obligated to pay all Commission prescribed user fees and public purpose program surcharges as set forth in the Appendix B of this decision, to comply with CEQA, and to adhere to Pub. Util. Code Section 451 which states that every public utility "...shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

15. Request to File Under Seal

Pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure, Granite has filed motions for leave to file Exhibits B and C to its Amended Application as confidential materials under seal. Granite represents that the financial information contained in the exhibits is sensitive, and disclosure could place Granite at an unfair business disadvantage. The Commission has granted similar requests in the past and, here also, Granite's request is granted for three years.

16. Categorization and Need for Hearings

In Resolution ALJ 176-3371, dated January 28, 2016, the Commission preliminarily categorized this Application as ratesetting, and determined that hearings were not required. Because of the protest filed in this proceeding, a prehearing conference was held on May 25, 2016 and a Scoping Memo issued on

June 9, 2016 setting an evidentiary hearing. Given the all-party settlement resolving the protest, a hearing is not necessary.

17. Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived

18. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and Adeniyi A. Ayoade is the assigned ALJ in this proceeding.

Findings of Fact

1. Granite is a current holder of a CPCN that is authorized in California to provide limited facilities-based and resold local exchange telecommunications services in the service territory of AT&T, and the former service territory of Verizon (now part of Frontier's territory), and to provide interexchange service in California. Its Utility Identification Number U-6842-C was issued in D.03-12-048 published on December 22, 2003.

2. Granite filed A.16-01-008 on January 21, 2016 in order to expand its CPCN authorization to provide limited facilities-based and resold local exchange telecommunications services in the service territories of Consolidated/SureWest, and all of the service territory of Frontier (including its newly acquired former service territory of Verizon).

3. Notice of the Application appeared on the Daily Calendar on January 27, 2016.

4. On February 11, 2016, the Commission's Consumer Protection and Enforcement Division protested the Application alleging that Granite failed to

submit financial information with its Application as required by the Commission, and failed to disclose prior adverse regulatory actions by the Federal Communications Commission against Granite in violation of Rule 1.1 of the Commission's Rules of Practice and Procedure.

5. Granite Telecommunications, LLC (Granite) is a telephone corporation and a public utility as defined in Pub. Util. Code §§ 234(a) and 216(a).

6. Granite and the Commission's Consumer Protection and Enforcement Division (CPED) are the only parties in this proceeding, and both have entered into a Settlement Agreement resolving all contested issues.

7. On August 15, 2016, the Parties filed a Joint Motion requesting Commission's approval of the Settlement Agreement.

8. The Settlement Agreement conveys sufficient information to permit the Commission to discharge its regulatory obligations with respect to the Parties and their interests.

9. Pursuant to the term of the Settlement Agreement:

- a) Granite demonstrated that it is able and willing to accept Commission jurisdiction over it as a telephone company, and that it is willing to comply with Commission rules, decisions, General Orders, and statutes;
- b) Granite acknowledges that it violated Commission licensing requirements and rules by failing to disclose prior adverse regulatory actions against it by the Federal Communications Commission in violation of Rule 1.1;
- c) Granite agreed to pay a \$15,000 penalty for its violation of the Commission's rules; and
- d) Granite agreed to report information regarding its California customers to the Commission to ensure that Granite continues to compliance with Commission's rules and requirements, for a period of one year following the approval the Settlement Agreement.

10. Granite meets the requirements for a CPCN, and its request to expand its CPCN to provide service in the service territories of Consolidated/SureWest, and all of the service territory of Frontier is supported by this record.

11. Granite has a minimum of \$100,000 of cash or cash equivalent that is reasonably liquid and readily available to meet its start-up expenses, and has sufficient additional cash or cash equivalent as may be required to cover deposits required in order to provide the proposed service.

12. Granite's management possesses sufficient experience, knowledge, and technical expertise to provide local exchange services to the public.

13. Granite's application failed to disclose two complaints filed against at the Federal Communications Commission. Granite amended its Application on March 22, 2016, in order to disclose the complaints.

14. Other than the two complaints by the Federal Communications Commission discussed and resolved in this decision, no one associated with or employed by Granite as an affiliate, officer, director, partner, agent, or owner of more than 10 percent of Granite: (a) held one of these positions with a company that filed for bankruptcy; (b) been personally found liable, or held one of these positions with a company that has been found liable, for fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (c) been convicted of a felony; (d) been the subject of a criminal referral by judge or public agency; (e) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction; (f) personally entered into a settlement, or held one of these positions with a company that has entered into settlement of criminal or civil claims involving violations of sections 17000 et seq., 17200 et seq., or 17500 et seq. of the California Business & Professions Code, or of any other statute, regulation, or decisional law relating to fraud, dishonesty,

failure to disclose, or misrepresentations to consumers or others; or (g) been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries; (h) entered into any settlement agreements or made any voluntary payments or agreed to any other type of monetary forfeitures in resolution of any action by any regulatory body, agency, or attorney general; or (i) is being, or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order.

15. Granite has agreed to revise/update its tariff to include rates and services for the new service territories authorized by this decision, and file a compliance tariff with the Commission as a condition of granting the expanded CPCN authority requested.

16. Granite provided a map of the location of its proposed service territory.

17. Pursuant to Rule 11.4, Granite requests to place confidential materials under seal, including Exhibits B and C to its Amended Application.

18. A hearing is not required.

Conclusions of Law

1. Granite Telecommunications, LLC (Granite) should be permitted to expand its CPCN to provide limited facilities-based and resold local exchange telecommunications services in the service territories of Consolidated/SureWest, and all of the service territory of Frontier subject to the terms and conditions set forth in the Ordering Paragraphs of this decision.

2. The settlement agreement between Granite and CPED complies with Rule 12.1(d), and the settlement is reasonable, consistent with law, and is in the public interest. Nothing in the Settlement Agreement contravenes any statute or Commission decision or rules.

3. The benefits of the Settlement Agreement to the public outweigh the benefits of continued litigation, and the penalty agreed to by the Parties is reasonable in light of the whole record in this proceeding.

4. With the filing of the Settlement Agreement, A.16-01-008 is an uncontested matter, and approving the Settlement Agreement this decision grants the relief requested.

5. Granite should be required to pay \$15,000 penalty to the State of California General Fund within thirty (30) calendar days of this decision.

6. For a period of one year from the date of the decision granting A.16-01-008, Granite should report information regarding all California customers who have terminated with Granite or been provided with a credit to the Commission pursuant to the terms of the Settlement Agreement.

7. As a condition of our approval of its Application, Granite should be required to update its tariff to include rates and services for the newly authorized service territories in this decision.

8. Granite should be granted non-dominant carrier status, subject to Commission rules and regulations as detailed in D.85-01-008, and modified in D.85-07-081 and D.85-11-044.

9. Granite should be exempt from the requirement to maintain its books and records according to the USOA, and should be required to maintain its books and records in accordance with the GAAP.

10. Granite's motions to file under seal its Exhibits B and C to the Amended Application should be granted for three years.

11. Hearings are not necessary in this proceeding.

12. Application 16-01-008 should be closed.

O R D E R**IT IS ORDERED** that:

1. Granite Telecommunications, LLC's application to amend its Certificate of Public Convenience and Necessity to provide limited facilities-based and resold local exchange telecommunications services in the service territories of:

(1) Consolidated Communications of California Company; and (2) all of the service territory of Citizens Telecommunications Company of California, Inc. d/b/a Frontier Communications of California, is granted, subject to the terms and conditions set forth below.

2. The Settlement Agreement between Granite Telecommunications, LLC, and the Commission's Consumer Protection and Enforcement Division, filed on August 15, 2016, (Settlement Agreement), is adopted. Pursuant to the terms of the Settlement Agreement, attached to this decision as Attachment E, Granite Telecommunications, LLC, shall pay a \$15,000 penalty to the State of California General Fund within thirty (30) calendar days after the effective date of this decision. The penalty payment shall be made payable to the California Public Utilities Commission and remitted to the Commission's Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. Granite Telecommunications, LLC's check, or money order shall indicate on its face the decision number in A.16-01-008.

3. For a period of one year following the effective date of the Commission decision granting A.16-01-008 (Effective Date), Granite Telecommunications, LLC, (Granite) shall report information regarding all California customers who have terminated with Granite or been provided with a credit to the Commission, as provided in the Settlement Agreement. The reports shall be submitted on a

quarterly basis, and the first report shall cover the time period between the effective date of this decision (effective date) and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining three (3) reports shall cover the subsequent calendar quarters. The credit reports shall provide data including company name, address, Billing Telephone Number (BTN), invoice date, description, and credit amount, broken down by month.

The termination reports should provide data including company name, parent account number, address, BTN, and date of termination, broken down by month. The reports will be submitted via email.

4. Granite Telecommunications, LLC shall not offer competitive local exchange services in the service territories of Consolidated Communications of California Company, and those parts of Frontier's service territory where it has not previously offer services, until its tariff for those territories is filed with, and authorized by the Commission, in accordance with General Order 96-B.

5. The corporate identification number assigned to Granite Telecommunications, LLC, U-6842-C, must be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

6. The expanded authority granted by this order will expire if not exercised within 12 months of the effective date of this decision.

7. Granite Telecommunications, LLC, must obtain and/or maintain a performance bond of at least \$25,000 in accordance with Decision 13-05-035. The performance bond must be a continuous bond (i.e., there is no termination date on the bond) issued by a corporate surety company authorized to transact surety business in California, and the Commission must be listed as the obligee on the bond. Within five days of acceptance of the expanded certificate of public

convenience and necessity authority granted herein, Granite Telecommunications, LLC, must submit a Tier-1 advice letter to the Director of Communications, containing a copy of the license holder's executed bond (if none is currently on Commission's file), and submit a Tier-1 advice letter annually, but not later than March 31, with a copy of the executed bond.

8. Granite Telecommunications, LLC, must not allow its performance bond to lapse during any period of its operation. Pursuant to Decision 13-05-035, the Commission may revoke a certificate of public convenience and necessity if a carrier is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and the carrier has not been granted an extension of time by the Communications Division.

9. In addition to all the requirements applicable to competitive local exchange carriers and interexchange carriers included in Attachments B, C, and D to this decision, Granite Telecommunications, LLC, is subject to the Consumer Protection Rules contained in General Order 168, and all applicable Commission rules, decisions, General Orders, and statutes that pertain to California public utilities.

10. Granite Telecommunications, LLC, must file in this docket a written acceptance of the expanded authority and/or certificate granted in this proceeding within 30 days of the effective date of this decision.

11. Granite Telecommunications, LLC, (Granite) must annually pay the user fee and public purpose surcharges specified in Attachment B, and the Combined California Public Utilities Commission Telephone Surcharge Transmittal Form must be submitted even if the amount due is \$0. Granite must pay a minimum user fee of \$100 or 0.23 percent of gross intrastate revenue, whichever is greater.

Under Public Utilities Code § 405, carriers that are in default of reporting and submitting user fees for a period of 30 days or more will be subject to penalties including suspension or revocation of their authority to operate in California.

12. Prior to initiating service in the new authorized territories, Granite Telecommunications, LLC, (Granite) must provide the Commission's Consumer Affairs Branch with the name and address of its designated contact person(s) for purposes of resolving consumer complaints (if the information was not previously provided to the Commission when Granite was first granted its certificate in Decision (D.) 03-12-048). This information must be updated if the name or telephone number changes, or at least annually.

13. Prior to initiating service in the new authorized territories, Granite Telecommunications, LLC, (Granite) must provide the Commission's Communications Division with the name and address of its designated regulatory/official contact persons(s) (if the information was not previously provided to the Commission when Granite was first granted its certificate). This information must be provided electronically, using the "Regulatory/Official Contact Information Update Request" found at <http://www.cpuc.ca.gov/communications>. This information must be updated if the name or telephone number changes, or at least annually.

14. Granite Telecommunications, LLC, must notify the Director of the Communications Division in writing of the date that local exchange service is first rendered to the public, no later than five days after service first begins in the new authorized territories.

15. Granite Telecommunications, LLC, must file an affiliate transaction report with the Director of the Communications Division, in compliance with

Decision 93-02-019, on a calendar year basis using the form contained in Attachment D.

16. Granite Telecommunications, LLC, must file an annual report with the Director of the Communications Division, in compliance with General Order 104-A, on a calendar-year basis with the information contained in Attachment C to this decision.

17. As a condition of granting the expanded authority requested herein, Granite Telecommunications, LLC, shall update its tariff to include rates and services for the newly authorized service territories in this decision. Granite Telecommunications, LLC, shall file its updated tariff with the Commission within 12 months of the effective date of this order, or its authority to operate in the new service territories authorized by this decision will be rescinded.

18. Granite Telecommunications, LLC, is exempted from the requirement to maintain its books and records according to the Uniform System of Accounts.

19. Granite Telecommunications, LLC, must keep its books and records in accordance with the Generally Accepted Accounting Principles.

20. Granite Telecommunications, LLC, (Granite)'s motion to place under seal its Exhibits B and C is granted for a period of three years from the effective date of this decision. During this three year period, this information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Granite believes that it is necessary for this information to remain under seal for longer than three years, Granite may file a new motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

21. Evidentiary hearings are not necessary.

22. Application 16-01-008 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

Tariffs

THIS ATTACHMENT IS INTENTIONALLY LEFT BLANK

(END OF ATTACHMENT A)

ATTACHMENT B**REQUIREMENTS APPLICABLE TO COMPETITIVE LOCAL EXCHANGE CARRIERS AND INTEREXCHANGE CARRIERS**

1. Applicant must file, in this docket with reference to this decision number,¹ a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

2. Applicant is subject to the following fees and surcharges that must be regularly remitted. Per the instructions in Exhibit E to Decision (D.) 00-10-028, the Combined California PUC Telephone Surcharge Transmittal Form must be submitted even if the amount due is \$0.

- a. The Universal Lifeline Telephone Service Trust Administrative Committee Fund (Pub. Util. Code § 879);
- b. The California Relay Service and Communications Devices Fund (Pub. Util. Code § 2881; D.98-12-073);
- c. The California High Cost Fund-A (Pub. Util. Code § 739.3; D.96-10-066, at 3-4, App. B, Rule 1.C);
- d. The California High Cost Fund-B (D.96-10-066, at 191, App. B, Rule 6.F.; D.07-12-054);
- e. The California Advanced Services Fund (D.07-12-054);
- f. The California Teleconnect Fund (D.96-10-066, at 88, App. B, Rule 8.G).
- g. The User Fee provided in Pub. Util. Code §§ 431-435. The minimum annual User Fee is \$100, as set forth in D.13-05-035.

Note: These fees change periodically. In compliance with Resolution T-16901, December 2, 2004, Applicant must check

¹ Written acceptance filed in this docket does not reopen the proceeding.

the joint tariff for surcharges and fees filed by Pacific Bell Telephone Company (dba AT&T California) and apply the current surcharge and fee amounts in that joint tariff on end-user bills until further revised. Current and historical surcharge rates can be found at <http://www.cpuc.ca.gov/communications>.

- Carriers must report and remit CPUC telephone program surcharges online using the CPUC Telecommunications and User Fees Filing System (TUFFS). Information and instructions for online reporting and payment of surcharges are available at <http://www.cpuc.ca.gov/communications>. To request a user ID and password for TUFFS online filing and for questions, please e-mail Telco_surcharges@cpuc.ca.gov.
- Carriers must file and pay the PUC User Fee (see above item 2g) upon receiving the User Fee statement sent by the Commission. User Fees cannot be reported or paid online. Instructions for reporting filing are available at <http://www.cpuc.ca.gov/communications>. Please call (415) 703-2470 for questions regarding User Fee reporting and payment.

3. If Applicant is a competitive local exchange carrier (CLC), the effectiveness of its future tariffs is subject to the requirements of General Order 96-B and the Telecommunications Industry Rules (D.07-09-019).

4. If Applicant is a non-dominant interexchange carrier (NDIEC), the effectiveness of its future NDIEC tariffs is subject to the requirement of General Order 96-B and the Telecommunications Industry Rules (D.07-09-019).

5. Tariff filings must reflect all fees and surcharges to which Applicant is subject, as reflected in #2 above.

6. Applicant must obtain a performance bond of at least \$25,000 in accordance with Decision 13-05-035. The performance bond must be a

continuous bond (i.e., there is no termination date on the bond) issued by a corporate surety company authorized to transact surety business in California, and the Commission must be listed as the obligee on the bond. Within five days of acceptance of its certificate of public convenience and necessity authority, Applicant must submit a Tier-1 advice letter to the Director of Communications, containing a copy of the license holder's executed bond, and submit a Tier-1 advice letter annually, but not later than March 31, with a copy of the executed bond.

7. Applicant must not allow its performance bond to lapse during any period of its operation. Pursuant to Decision 13-05-035, the Commission may revoke a certificate of public convenience and necessity if a carrier is more than 120 days late in providing the Director of the Communications Division a copy of its executed performance bond and the carrier has not been granted an extension of time by the Communications Division.

8. Applicant must file a service area map as part of its initial tariff.

9. Prior to initiating service, Applicant must provide the Commission's Consumer Affairs Branch with the name and address of its designated contact person(s) for purposes of resolving consumer complaints. In addition, Applicant must provide the Commission's Communications Division with the name and address of its designated regulatory/official contact persons(s). This information must be provided electronically, using the "Regulatory/Official Contact Information Update Request" found at <http://www.cpuc.ca.gov/communications>. This information must be updated if the name or telephone number changes, or at least annually.

10. Applicant must notify the Director of the Communications Division in writing of the date that local exchange service is first rendered to the public, no later than five days after service first begins.

11. Applicant must notify the Director of the Communications Division in writing of the date local service is first rendered to the public within five days after service begins.

12. Applicant must keep its books and records in accordance with the Generally Accepted Accounting Principles.

13. In the event Applicant's books and records are required for inspection by the Commission or its staff, it must either produce such records at the Commission's offices or reimburse the Commission for the reasonable costs incurred in having Commission staff travel to its office.

14. Applicant must file an annual report with the Director of the Communications Division, in compliance with GO 104-A, on a calendar-year basis with the information contained in Attachment C to this decision.

15. Applicant must file an affiliate transaction report with the Director of the Communications Division, in compliance with D.93-02-019, on a calendar-year basis using the form contained in Attachment D.

16. Applicant must ensure that its employees comply with the provisions of Pub. Util. Code § 2889.5 regarding solicitation of customers.

17. Within 60 days of the effective date of this order, Applicant must comply with Pub. Util. Code § 708, Employee Identification Cards, and notify the Director of the Communications Division in writing of its compliance.

18. If Applicant is 90 days or more late in filing an annual report, or in remitting the surcharges and fee listed in #2 above, and has not received written permission from the Communications Division to file or remit late, the

Communications Division must prepare for Commission consideration a resolution that revokes Applicant's CPCN.

19. Applicant is exempt from Rule 3.1(b) of the Commission Rules of Practice and Procedure.

20. Applicant is exempt from Pub. Util. Code §§ 816-830.

21. Applicant is exempt from the requirements of Pub. Util. Code § 851 for the transfer or encumbrance of property whenever such transfer or encumbrance serves to secure debt.

22. If Applicant decides to discontinue service or file for bankruptcy, it must immediately notify the Communications Division's Bankruptcy Coordinator.

23. Applicant must send a copy of this decision to concerned local permitting agencies no later than 30 days from the date of this order.

(END OF ATTACHMENT B)

ATTACHMENT C

ANNUAL REPORT

An original and a machine readable, copy using Microsoft Word or compatible format must be filed with the California Public Utilities Commission, State Office Building, 505 Van Ness Avenue, Room 3107, San Francisco, CA 94102-3298, no later than March 31st of the year following the calendar year for which the annual report is submitted.

Failure to file this information on time may result in a penalty as provided for in Pub. Util. Code §§ 2107 and 2108.

Required information:

1. Exact legal name and U # of the reporting utility.
2. Address.
3. Name, title, address, and telephone number of the person to be contacted concerning the reported information.
4. Name and title of the officer having custody of the general books of account and the address of the office where such books are kept.
5. Type of organization (*e.g.*, corporation, partnership, sole proprietorship, etc.).

If incorporated, specify:

- a. Date of filing articles of incorporation with the Secretary of State.
 - b. State in which incorporated.
6. Number and date of the Commission decision granting the Certificate of Public Convenience and Necessity.
 7. Date operations were begun.
 8. Description of other business activities in which the utility is engaged.
 9. List of all affiliated companies and their relationship to the utility. State if affiliate is a:
 - a. Regulated public utility.
 - b. Publicly held corporation.

10. Balance sheet as of December 31st of the year for which information is submitted.
11. Income statement for California operations for the calendar year for which information is submitted.
12. Cash Flow statement as of December 31st of the calendar year for which information is submitted, for California operations only.

For answers to any questions concerning this report, call (415) 703-2883.

(END OF ATTACHMENT C)

ATTACHMENT D**CALENDAR YEAR AFFILIATE TRANSACTION REPORT**

An original and a machine readable, copy using Microsoft Word and Excel, or compatible format must be filed with the California Public Utilities Commission, State Office Building, 505 Van Ness Avenue, Room 3107, San Francisco, CA 94102-3298, no later than May 1st of the year following the calendar year for which the annual report is submitted.

1. Each utility must list and provide the following information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the Annual Affiliate Transaction Report.

- Form of organization (*e.g.*, corporation, partnership, joint venture, strategic alliance, etc.);
- Brief description of business activities engaged in;
- Relationship to the utility (*e.g.*, controlling corporation, subsidiary, regulated subsidiary, affiliate);
- Ownership of the utility (including type and percent ownership)
- Voting rights held by the utility and percent; and
- Corporate officers.

2. The utility must prepare and submit a corporate organization chart showing any and all corporate relationships between the utility and its affiliated entities and regulated subsidiaries in #1 above. The chart must have the controlling corporation (if any) at the top of the chart, the utility and any subsidiaries and/or affiliates of the controlling corporation in the middle levels of the chart, and all secondary subsidiaries and affiliates (*e.g.*, a subsidiary that in

turn is owned by another subsidiary and/or affiliate) in the lower levels. Any regulated subsidiary must be clearly noted.

3. For a utility that has individuals who are classified as “controlling corporations” of the competitive utility, the utility must only report under the requirements of #1 and #2 above any affiliated entity that either (a) is a public utility or (b) transacts any business with the utility filing the annual report excluding the provision of tariff services.

4. Each annual report must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

5. Any required material that a utility is unable to provide must be reasonably described and the reasons the data cannot be obtained, as well as the efforts expended to obtain the information, must be set forth in the utility’s Annual Affiliate Transaction Report and verified in accordance with Section I-F of Decision 93-02-019.

6. Utilities that do not have affiliated entities must file, in lieu of the annual transaction report, an annual statement to the Commission stating that the utility had no affiliated entities during the report period. This statement must be signed by a corporate officer of the utility, stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

(END OF ATTACHMENT D)

ATTACHMENT E

THE SETTLEMENT AGREEMENT BETWEEN THE COMMISSION'S
CONSUMER PROTECTION AND ENFORCEMENT DIVISION AND GRANITE
TELECOMMUNICATIONS, LLC

SETTLEMENT AGREEMENT

In order to avoid the costs and risks of further litigation and to expeditiously resolve this matter, the Consumer Protection and Enforcement Division of the California Public Utilities Commission (CPED), and Granite Telecommunications, LLC (Granite or Applicant) and its predecessors, successors, affiliates, and assigns, hereby agree upon the following terms for the settlement of CPED's Protest of Granite's Application for a Certificate of Public Convenience and Necessity (CPCN) to expand its existing authority to provide limited facilities based and resold local exchange services in the State of California, A.16-01-008 (Application).¹

I. JOINT FACTUAL STATEMENT

1. Granite is a Delaware limited liability company with its principal place of business located at 100 Newport Avenue Extension, Quincy, MA 02171. In 2003, Granite applied for authority to provide limited facilities-based and resold local exchange and interexchange telecommunications services in California (A.03-08-026), which Decision (D.) 03-12-048 granted.

2. On January 9, 2016, Granite filed Application (A.) 16-01-008 requesting to expand its existing authority to provide limited facilities based and resold local exchange

¹ The Protest was brought by the Utility Enforcement Branch (UEB) formerly a part of the Safety Enforcement Division (SED), currently a part of CPED.

telecommunication services in California (Original Application). CPED protested the Original Application on February 11, 2016.

3. Granite's Original Application states that Granite has not "been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries" nor "is being or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order." However, CPED staff determined Granite has two instances of a "Complaint Regarding Unauthorized Change of Subscriber's Telecommunications Carrier before the Federal Communications Commission" (FCC) in 2004 and 2008. CPED's Protest alleges that Granite violated Rule 1.1 of the Commission's Rules of Practice and Procedure in its Application. Under Rule 1.1, any person who transacts business with the Commission agrees to not "...mislead the Commission or its staff by an artifice or false statement of fact or law."

In Granite's reply to CPED's Protest, Granite states that they were "entirely unaware of the existence of the two informal slamming complaints and the resulting decisions" and "[I]t was never Granite's intent to mislead the commission through the obfuscation of facts or be anything other than truthful, as sworn by Granite's Chief Operations Officer."

4. CPED's Protest further alleges that Granite did not provide sufficient proof of financial responsibility. D.95-12-056 and D.91-10-041 require CPCN applicants to provide proof of financial responsibility. The decision states:

To prove sufficient financial resources, facilities-based applicants are required to demonstrate that they possess a minimum of \$100,000 in unencumbered cash; non-facilities-based applicants are required to demonstrate that they possess a minimum of \$25,000 in unencumbered cash.

Subsequent to filing the Protest, Granite met and conferred with CPED and provided additional documentation. Granite submitted an Amended Application on March 22, 2016 with the additional financial documentation and disclosure of the FCC complaints (Amended Application). CPED did not protest the Amended Application.

II. AGREEMENT

1. Acknowledgements. Granite acknowledges that Rule 1.1 requires applicants to provide true and accurate information in documents filed at the Commission, and that the Application requires Granite to disclose whether the applicant "is being or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order." Granite acknowledges that they did not disclose two instances of a "Complaint Regarding Unauthorized Change of Subscriber's Telecommunications Carrier before the Federal Communications Commission" in its application.

Granite further acknowledges that Commission decisions require

telecommunication companies in California to provide proof of financial responsibility in order to obtain operating authority. Granite acknowledges that it did not provide the audited financial statements with its Original Application but instead relied on its more than ten years of service in California and the \$25,000 bond held by the CPUC as support of its financial qualifications. At the request of CPED, Granite provided audited financial statements with its Amended Application.

By this Settlement, Granite states that it will fully meet its regulatory and legal obligations in California in the future. Subject to Granite's ongoing compliance with this Agreement and all applicable laws, and Commission rules, regulations, decisions, and orders, Granite and CPED acknowledge that all issues raised in CPED's Protest of Granite's application for a CPCN are fully resolved with this Settlement.

2. Penalty Payments. In order to resolve the legal issues CPED raised in its Protest, Granite will pay a \$15,000 penalty to the State of California General Fund within thirty (30) days after the calendar date of the Commission's Decision granting Granite's expanded CPCN and approving this Settlement Agreement. The penalty payment shall be made payable to the California Public Utilities Commission and remitted to the Commission's Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. Granite's check or money order shall indicate the decision number of the Commission Decision number incorporating this settlement.

3. Reporting Requirements

For a period of one year following the effective date of the Commission decision granting A.16-01-008 (Effective Date) , Granite will report information regarding all California customers who have terminated with Granite or been provided with a credit to the Chief of the Utility Enforcement Branch (UEB) and Investigator, Brian Hom. The reports will be submitted on a quarterly basis. The first report will cover the time period between the effective date of the Commission decision granting A.16-01-008 (Effective Date) and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining three (3) reports will cover the subsequent calendar quarters. The credit reports should provide data including company name, address, BTN, invoice date, description, and credit amount, broken down by month. The termination reports should provide data including company name, parent account number, address, BTN, and date of termination, broken down by month. The reports will be submitted via email.

III. GENERAL PROVISIONS

1. Scope and Effect of Agreement. This Agreement represents a full and final resolution of CPED's Protest, and the matters giving rise thereto. The Parties understand that this Agreement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Agreement, a Motion for Commission Approval and Adoption of the Agreement will be filed. The Parties agree to support the Agreement, recommend that the Commission approve it in its entirety without change and use their best efforts to secure Commission approval of it in its entirety without modification.

The Parties agree that, if the Commission fails to adopt the Agreement in its entirety without material change and issue the requested operating authority, the Parties

shall convene a settlement conference within 15 days thereof to discuss whether they can resolve any issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Agreement shall be rescinded and the Parties shall be released from their obligation to support this Agreement. Thereafter, the Parties may pursue any action they deem appropriate, but agree to cooperate to establish a procedural schedule for the remainder of the proceeding and agree that neither this Agreement nor its terms shall be admissible in such proceeding unless the Parties agree.

2. Successors. This Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their successors, heirs, assigns, partners, representatives, executors, administrators, subsidiary companies, divisions, units, agents, attorneys, officers, and directors.

3. Knowing and Voluntary Execution. The Parties acknowledge each has read this Agreement, that each fully understands the rights, duties and privileges created hereunder, and that each enters this Agreement freely and voluntarily.

4. Authority to Execute Agreement. The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.

5. Entire Agreement. The Parties expressly acknowledge that the consideration recited in this Agreement is the sole and only consideration of this

Agreement, and that no representations, promises, or inducements have been made by the Parties or any director, officer, employee, or agent thereof other than as set forth expressly in this Agreement.

6. Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California and the rules, regulations and General Orders of the California Public Utilities Commission.

7. Execution in Counterparts. This Agreement may be executed by any of the Parties in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement. A signature transmitted by facsimile shall be regarded as an original signature.

8. Interpretation of the Agreement. The Parties have bargained in good faith to reach the agreement set forth herein. The Parties intend the Agreement to be interpreted as a unified, interrelated agreement. Both of the Parties have contributed to the preparation of this Agreement. Accordingly, the Parties agree that no provision of this Agreement shall be construed against either of them because a particular Party or its counsel drafted the provision.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement.

**GRANITE
TELECOMMUNICATIONS, LLC**

Dated: August 15, 2016

/s/ PAUL STUTZMAN
Paul Stutzman

Senior Vice President
100 Newport Avenue Ext.
Quincy, MA 02171

**CONSUMER PROTECTION AND
ENFORCEMENT DIVISION**

/s/ JEANETTE LO
Jeanette Lo

Chief, Utility Enforcement Branch
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

/s/ SELINA SHEK
Selina Shek

Staff Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102