

ORIGINAL



0000059353

MEMORANDUM

30

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson *EA for EGJ*
Director
Utilities Division

THRU: Matthew Rowell *MR*
Chief, Telecommunications and Energy Section
Utilities Division

Wilfred Shand, Jr. *MR for WS*
Manager, Telecommunications and Energy Section
Utilities Division

DATE: June 30, 2006

RE: IN THE MATTER OF THE APPLICATION OF KMC TELECOM V, INC. TO
CANCEL ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
(DOCKET NO. T-03872A-06-0178)

Attached is the Staff Report of the above Application to cancel the Certificate of Convenience and Necessity ("CC&N") held by KMC Telecom V, Inc. Staff recommends cancellation of the CC&N.

EGJ:PJG:tdp

Originator: Pamela J. Genung

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 JUN 30 P 4: 32

RECEIVED

SERVICE LIST FOR: KMC Telecom V, Inc.
DOCKET NO. T-03872A-06-0178

Mr. Michael Duke, Consultant
KMC Data, LLC
1755 North Brown Road
Lawrenceville, Georgia 30043

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

KMC TELECOM V, INC.
DOCKET NO. T-03872A-06-0178

IN THE MATTER OF THE APPLICATION OF KMC TELECOM V, INC. TO CANCEL ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY

JUNE 30, 2006

STAFF ACKNOWLEDGMENT

The Staff Report for KMC Telecom V, Inc., Docket No. T-03872A-06-0178, was the responsibility of the Staff member listed below. Pamela J. Genung was responsible for the review and analysis of KMC Telecom V, Inc. Application to cancel its Certificate of Convenience and Necessity.

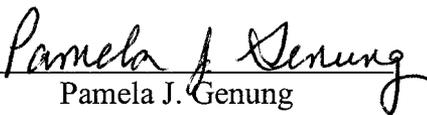

Pamela J. Genung
Public Utilities Analyst IV

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
STAFF'S ANALYSIS	1
RECOMMENDATIONS	2

INTRODUCTION

On March 17, 2006, KMC Telecom V, Inc. ("KMC") submitted an Application to cancel its Certificate of Convenience and Necessity ("CC&N"). In the Application, KMC has also requested that it be relieved of the requirement to file a Local Telephone Company Annual Report.

BACKGROUND

On February 16, 2001, the Commission, in Decision No. 63380, granted KMC a CC&N to provide competitive facilities-based and resold intrastate telecommunications services within Arizona.

STAFF'S ANALYSIS

In its application, KMC stated that it is no longer in operation and has no customers in Arizona. KMC further explained in its response to Staff's data request that at no time has KMC ever provided any retail, end-user services. KMC provided wholesale data services to other telecom carriers. According to KMC, its last remaining wholesale customer voluntarily switched to another provider in August 2005. As a result, KMC decided to abandon the market and close all operations nationally. KMC does not have any customers, employees, or assets.

Pursuant to A.A.C. R14-2-1107A(2) and A(4) and as a requirement of Decision No. 63380, KMC is required to notify each of its customers and the Commission of the proposed discontinuance of service sixty (60) days prior to filing an application and to also verify that all affected customers will have access to an alternative local exchange service provider or interexchange service provider. KMC has not sent out customer notifications because it did not discontinue service to any customer. KMC did not have any residential or business customers during its last month of providing service, nor were any customers transferred to other telecommunications carriers. Instead, KMC's customers voluntarily switched to other service providers. KMC has also indicated in its response to Staff's data request that KMC did not collect any advances, deposits, and/or prepayments.

Decision No. 63380 granted KMC a CC&N and required a performance bond in the minimum amount of \$100,000. In response to Staff's data request, KMC stated that its performance bond is no longer valid and has not been renewed since its expiration in September 2005. KMC indicated that it does not have any affiliates currently offering telecommunications services in Arizona and that it is not providing any telecommunications services in any other state.

Pursuant to A.A.C. R14-2-1107(B), KMC is required to publish legal notice of an Application to discontinue or abandon local exchange or interexchange services in all counties affected by the Application. The following information was provided by KMC in its response to Staff's data request: (1) KMC at no time provided any services to end-user customers; (2)

KMC's last remaining wholesale customer voluntarily switched to another service provider during August 2005; and (3) KMC was not aware of what Arizona counties its wholesale customers were providing retail services to. KMC stated that for these reasons a legal notice has not been published.

The Consumer Services Section of the Utilities Division reports that there have been zero (0) complaints, inquiries, or opinions against KMC from 2003 through May 2, 2006. In addition, Consumer Services stated that KMC is in good standing with the Corporations Division of the Commission. KMC's 2005 annual report is currently on file with the Commission.

RECOMMENDATIONS

Staff recommends approval of KMC's Application for authority to cancel its CC&N. KMC is no longer in operation and is not currently providing telecommunications services to any customers in Arizona.

Upon cancellation of its CC&N, KMC will no longer be authorized to provide competitive facilities-based and resold intrastate telecommunications services within Arizona. Therefore, KMC will no longer be subject to the requirements of Decision No. 63380 or be required to file an annual report. In addition, Staff further recommends the cancellation of KMC's tariffs on file with the Commission.