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MEMORANDUM

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AZ CORP COMMISSION
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TO: Docket Control
FROM: Ernest G. Johnson *EJS*
Director
Utilities Division

DATE: January 10, 2002

RE: STAFF REPORT FOR THE EMERGENCY APPLICATION OF TELIGENT SERVICES, INC. TO DISCONTINUE LOCAL EXCHANGE SERVICE AND FOR A WAIVER OF R14-2-1107 (B) - (DOCKET NO. T-03761A-01-0911)

Attached is the Staff Report for Teligent Services, Inc. to discontinue local exchange service. Staff recommends approval. Staff further recommends that a hearing should not be held in this matter.

EGJ:LAJ:nms

Originator: Linda A. Jaress

Attachment: Original and Ten Copies

Arizona Corporation Commission

DOCKETED

JAN 11 2002

DOCKETED BY	<i>mac</i>
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Docket No. T-03761A-01-0911

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

TELIGENT SERVICES, INC.

DOCKET NO. T-03761A-01-0911

**EMERGENCY APPLICATION TO DISCONTINUE
LOCAL EXCHANGE SERVICE**

JANUARY 2002

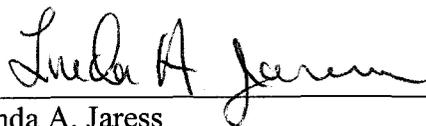
**EXECUTIVE SUMMARY
TELIGENT SERVICES, INC.
DOCKET NO. T-03761A-01-0911**

Teligent Services, Inc. holds an Arizona CC&N to provide local telecommunications service, intrastate facilities-based and resold intrastate toll and non-switched private line services. On November 15, 2001, Teligent Services, Inc. filed an emergency application to discontinue basic local service effective December 15, 2001, and for approval of a waiver of R14-2-1107 (B).

In Decision No. 64250, the Commission granted the waiver under several conditions. Staff believes the Company has complied with the conditions in that Decision. Staff recommends approval of Teligent Services, Inc.'s application to discontinue service. Staff also believes that Teligent Services, Inc. is no longer a fit and proper entity to provide local exchange service and recommends the Commission revoke its CC&N to provide that specific service.

STAFF ACKNOWLEDGMENT

The Staff Report for Teligent Services, Inc., Docket No. T-03761A-01-0911 was the responsibility of the Staff member listed below. Linda A. Jaress was responsible for the review and analyses of the Company's application.

A handwritten signature in cursive script that reads "Linda A. Jaress". The signature is written in black ink and is positioned above a horizontal line.

Linda A. Jaress
Executive Consultant III

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Background

On November 15, 2001, Teligent Services, Inc. ("Teligent") filed an "emergency" application to discontinue basic local service effective December 15, 2001 and for approval of a waiver of R14-2-1107 (B). On November 19, 2001, Staff filed an Open Meeting Memorandum and Proposed Order recommending denial of the waiver. On December 4, 2001, the Commission signed Decision No. 64250 granting a waiver under several conditions.

In the Decision, the Commission directed Teligent to provide additional notice to the customers whose service would be discontinued and provided language for that notice. The Commission also directed Teligent to assist customers who could not receive service from a different provider until after December 15, 2001. Finally, the Commission required Teligent to continue to provide service to those customers until they receive local exchange service from another provider.

Teligent

Teligent holds an Arizona CC&N to provide local telecommunications service, intrastate facilities-based and resold intrastate toll and non-switched private line services. On May 21, 2001, Teligent, Inc. and all of its direct and indirect subsidiaries including Teligent, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court in order to restructure its long-term debt. In conjunction with the bankruptcy proceedings, Teligent, Inc. entered into an interim arrangement with its lenders to provide funds for near-term operations for itself and its subsidiaries.

As stated in the application at issue, Teligent Inc.'s creditors indicated that they will not "make sufficient funds available to continue all of Teligent's current operations" and that by December 15, 2001, Teligent would not have sufficient funds to continue basic local service. Thus, Teligent requested approval to discontinue local service on December 15, 2001.

Current Status of Local Service Customers

On December 10, 2001, the Company filed a letter to the Director of the Utilities Division verifying that it had provided the additional required notice by two-day delivery service mail with tracking and signature required to all local exchange service customers of record in Arizona and provided a copy of the notice.

Since the Commission's Decision on the waiver request, the Consumer Services Section has received several calls from customers who were unable to receive service from another provider by December 15, 2001. Teligent, Qwest and Staff have cooperated in finding the customers local service before Teligent discontinued their service. To Staff's knowledge, no former Teligent local service customers were without service between providers. Staff believes that Teligent has fully complied with the Commission's Decision No. 64250.

Cancellation of CC&N to Provide Local Exchange Service

Although Teligent prefers to retain its CC&N to provide basic local exchange service, Staff believes that the Commission should cancel the CC&N only for local exchange service for two reasons. Currently Teligent's financial health is poor enough to foreclose any opportunity to acquire external financing and has forced the company into bankruptcy. Also, the discontinuation of local exchange service has caused some customers the stress and inconvenience of finding another provider in a relatively short time. Therefore, Staff believes that Teligent is no longer a fit and proper entity to hold a CC&N to provide local exchange service.

Conclusions and Recommendations

Teligent is no longer able to provide local exchange service and requests the Commission's approval to discontinue service. Staff recommends approval to discontinue local exchange service.

Staff also recommends that Teligent's CC&N to provide local exchange service be rescinded.