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MEMORANDUM

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

DATE: January 23, 2008

RE: IN THE MATTER OF THE APPLICATION OF LIGHTYEAR NETWORK SOLUTIONS, LLC FOR APPROVAL TO PARTIALLY SURRENDER ITS CERTIFICATE OF CONVENIENCE AND NECESSITY.
(DOCKET NO. T-04229A-07-0642)

Attached is the Staff Report for the above referenced application. The applicant is applying for approval to cancel its Certificate of Convenience and Necessity ("CC&N") to provide the following services:

- Resold Local Exchange Telecommunications Services
- Facilities-based Local Exchange Telecommunications Services

Staff recommends cancellation of the CC&N.

EGJ:MD:tdp

Originator: Melvin de la Cruz

Arizona Corporation Commission
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Service List For: Lightyear Network Solutions, LLC
DOCKET NO.: T-04229A-07-0642

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

LIGHTYEAR NETWORK SOLUTIONS, LLC

DOCKET NO. T-04229A-07-0642

IN THE MATTER OF THE APPLICATION OF LIGHTYEAR NETWORK SOLUTIONS,
LLC FOR APPROVAL TO PARTIALLY SURRENDER ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY

JANUARY 23, 2008

STAFF ACKNOWLEDGEMENT

The Staff Report for the application of Lightyear Network Solutions, LLC Docket No. T-04229A-07-0642, for approval to cancel its Certificate of Convenience and Necessity to provide competitive resold local exchange service and facilities-based local exchange service within the State of Arizona was the responsibility of the staff member listed below. Melvin de la Cruz was responsible for the review and analysis of the applicant's request to cancel their CC&N.



Melvin de la Cruz
Public Utilities Analyst IV

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INTRODUCTION

On November 9, 2007 Lightyear Network Solutions, LLC ("Lightyear") filed an application to cancel its Certificate of Convenience and Necessity ("CC&N") to provide competitive resold and facilities-based local exchange telecommunications services within the State of Arizona.

Lightyear requests Commission approval to cancel its CC&N authority to provide resold and facilities-based local exchange telecommunications services.

Lightyear does not request cancellation of its CC&N authority to provide resold long distance services.

BACKGROUND

On December 3, 2004, in Decision No. 67435, the Commission granted Lightyear a CC&N to provide competitive resold and facilities-based local exchange as well as resold and facilities-based long distance telecommunications services within the state of Arizona.

On December 5, 2006, in Decision No. 69171, the Commission cancelled Lightyear's authority to provide facilities-based long distance services in the State of Arizona.

STAFF ANALYSIS

Lightyear filed an application to cancel its CC&N on November 9, 2007, stating that the company never initiated resold or facilities-based local exchange telecommunications service in the State of Arizona. Staff received a signed statement from Lightyear's legal counsel verifying this claim. Consequently, Lightyear has never served any local exchange customers in Arizona and has not collected any advanced payments, deposits, and/or prepayments from local exchange customers. Staff therefore believes there will be no service or economic risk to local exchange customers associated with the cancellation of Lightyear's resold and facilities-based local exchange CC&N.

Decision No. 67435 required Lightyear to obtain a performance bond in the amount of \$235,000. Decision 69171 reduced the bond amount to \$135,000 and ordered that Lightyear comply in the form of an irrevocable sight draft Letter of Credit. Decision 69171 further specified the bond amount would consist of three elements – (1) \$25,000 for Resold local exchange service, (2) \$100,000 for Facilities-based local exchange service and (3) \$10,000 for resold long distance services.

On October 27, 2007 Lightyear submitted an irrevocable sight draft Letter of Credit in the amount of \$10,000 for the resold long distance portion of its CC&N. However, Lightyear did not submit the remaining amount of the \$135,000. Staff believes the Company reduced the amount of the bond required in Decision 69171 because it had filed for cancellation of its CC&N

to provide resold and facilities-based long distance service. Rather than unilaterally reducing the bond amount, Staff believes it would have been preferable for the Company to obtain a waiver of Decision 69171's bonding requirement due to its request to cancel a portion of its CC&N. Because the Commission did not receive the full bond amount by December 5, 2007, Lightyear technically was not in compliance with Decision 69171.

Lightyear did submit an annual report for year 2006. This annual report indicated 572 long distance customers with Arizona revenues of \$149,082. The annual report also confirms that Lightyear did not have local exchange customers and earned zero Arizona revenues from local exchange services.

The Consumer Services Section has indicated that from January 1, 2004 to date, there have been no complaints, inquiries, or opinions filed against Lightyear.

The Corporations Division reports that Lightyear is in good standing.

RECOMMENDATIONS

Since there are numerous other Competitive Local Exchange Carriers ("CLECs") offering local exchange service and Lightyear does not now have and has never had any local exchange service customers in Arizona, Staff recommends that Lightyear's application to cancel its CC&N for resold and facilities-based local exchange telecommunications services within the State of Arizona be approved.

Staff further recommends that requirements in A.A.C. R14-2-1107 for companies intending to discontinue or abandon service be waived since Lightyear did not provide resold or facilities-based local exchange telecommunications services since receiving its CC&N authority.

Staff further recommends that Lightyear's CC&N to provide facilities-based long distance services in the State of Arizona remain in effect.