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MEMORANDUM

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Director
Utilities Division
DATE: February 17, 2011

Arizona Corporation Commission

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AZ CORP COMMISSION
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RE: IN THE MATTER OF THE APPLICATION OF A.R.C. NETWORKS, INC.
DBA INFOHIGHWAY FOR APPROVAL TO CANCEL THEIR CERTIFICATE
OF CONVENIENCE AND NECESSITY. (DOCKET NO. T-04271A-10-0475)

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:

- Competitive Resold Interexchange Services

Staff recommends cancellation of the CC&N.

SMO:LLM:red

Originator: Lori L. Morrison

Attachment: Original and Thirteen Copies

SERVICE LIST FOR: A.R.C. NETWORKS, INC. DBA INFOHIGHWAY
DOCKET NO. T-04271A-10-0475

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

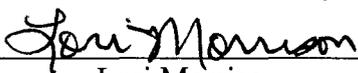
A.R.C. NETWORKS, INC. DBA INFOHIGHWAY
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I IN THE MATTER OF THE APPLICATION OF A.R.C. NETWORKS, INC. DBA
INFOHIGHWAY FOR APPROVAL TO CANCEL THEIR CERTIFICATE OF
CONVENIENCE AND NECESSITY

FEBRUARY 17, 2011

STAFF ACKNOWLEDGEMENT

The Staff Report for the application of A.R.C. Networks, Inc. dba InfoHighway, Docket No. T-04271A-10-0475, for approval to cancel its Certificate of Convenience and Necessity was the responsibility of the staff member listed below. Lori Morrison was responsible for the review and analysis of the application.



Lori Morrison
Utilities Consultant

INTRODUCTION

On November 23, 2010, A.R.C. Networks, Inc. dba InfoHighway ("ARC" or "Company") submitted a letter in which it informed the Commission that it intends to discontinue the offering of interexchange telecommunications services within the State of Arizona effective December 31, 2010 and requested that the Commission cancel this Certificate as of December 31, 2010. ARC also requested the withdrawal of its tariff.

BACKGROUND

On February 15, 2005, in Decision No. 67580, the Commission granted ARC a CC&N to provide resold interexchange telecommunications services within the State of Arizona.

STAFF'S ANALYSIS

In its November 23, 2010 letter, ARC stated that it had no customers or operations in Arizona at the time the Letter was filed. On January 20, 2011, in response to Staff Data Request ("SDR") STF 1.2(A), ARC stated that its last customer left its network in 2008. The Company also states in response to SDR STF 1.2(B) that since it has no customers in Arizona to notify, it requests a waiver of the notice requirements in Arizona Administrative Code ("A.A.C.") R14-2-1107(A)(2). At Staff's request, ARC submitted an affidavit attesting that it has no customers for intrastate telecommunications services in Arizona. ARC has affirmed, in response to SDR STF 1.7, that it did not collect advances, deposits, and/or prepayments from customers in Arizona.

The Consumer Services Section of the Utilities Division reports that there have been zero (0) complaints, inquiries, or opinions against ARC from January 1, 2007 to January 24, 2011. According to the Corporations Division, ARC is in good standing. ARC's 2009 utility annual report is currently on file with the Commission. The Compliance Section reports that there are no current compliance delinquencies for ARC.

RECOMMENDATION

ARC is not currently providing resold interexchange telecommunications services to any customers in Arizona and it never collected deposits, advances or prepayments from Arizona customers. As such, Staff recommends approval of ARC's request for a waiver of the requirement to publish notice contained in A.A.C. R14-2-1107(A)(2). Staff further recommends that ARC's CC&N to provide resold, interexchange telecommunications services be cancelled. In addition, Staff recommends that the cancellation not become effective until a decision is issued by the Commission authorizing such cancellation. Upon cancellation of its CC&N, ARC will no longer be authorized to provide resold interexchange telecommunications services in Arizona. Therefore, ARC will no longer be subject to the requirements of Decision No. 67580. In addition, Staff recommends approval of ARC's request to cancel and withdraw its Arizona tariff.