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MEMORANDUM

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AZ CORP COMMISSION  
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TO: Docket Control Center

FROM: Steven M. Olea  
Director  
Utilities Division

DATE: July 28, 2015

RE: IN THE MATTER OF THE APPLICATION OF CYPRESS COMMUNICATION OPERATING COMPANY, LLC FOR APPROVAL TO DECERTIFY AND DISCONTINUE OFFERING ITS SERVICES IN ARIZONA AND CANCELLATION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY (DOCKET NO. T-04109A-15-0041)

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:

- facilities-based local exchange and long distance telecommunications services

Staff recommends cancellation of the CC&N.

SMO: PJG/nr/RWG

Originator: Pamela J. Genung

Arizona Corporation Commission

DOCKETED

JUL 28 2015

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SERVICE LIST FOR: CYPRESS COMMUNICATION OPERATING COMPANY, LLC.  
DOCKET NO. T-04109A-15-0041

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

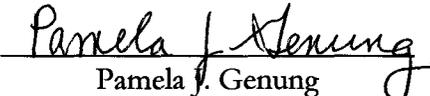
CYPRESS COMMUNICATION OPERATING COMPANY, LLC.  
DOCKET NO. T-04109A-15-0041

IN THE MATTER OF THE APPLICATION OF CYPRESS COMMUNICATION  
OPERATING COMPANY, LLC FOR APPROVAL TO DECERTIFY AND DISCONTINUE  
OFFERING ITS SERVICES IN ARIZONA AND CANCELLATION OF THEIR  
CERTIFICATE OF CONVENIENCE AND NECESSITY

JULY 28, 2015

STAFF ACKNOWLEDGEMENT

The Staff Report for Cypress Communication Operating Company, LLC, Docket No. T-04109A-15-0041, was the responsibility of the Staff member listed below. Pamela Genung was responsible for the review and analysis of Cypress Communication Operating Company, LLC's Application to cancel its Certificate of Convenience and Necessity.

  
Pamela J. Genung  
Executive Consultant III

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## INTRODUCTION

On February 17, 2015, Cypress Communication Operating Company, LLC (“Cypress” or “Applicant”) submitted an Application to cancel its Certificate of Convenience and Necessity (“CC&N”) to provide competitive facilities-based local exchange and long distance telecommunications services.

## BACKGROUND

On April 21, 2004, the Arizona Corporation Commission (“Commission”), in Decision No. 66938, granted Cypress a CC&N to provide competitive facilities-based local exchange and long distance telecommunications services within the State of Arizona. Cypress also has a CC&N<sup>1</sup> to provide resold local exchange and interexchange telecommunications services in Arizona. Cypress has submitted an application to cancel its CC&N to provide resold local exchange and interexchange telecommunications services in Arizona in Docket No. T-04109A-15-0101 that should be processed simultaneously with this Application.

## STAFF’S ANALYSIS

In its Application, Cypress indicated that due to changing market conditions Cypress will cease operations. In a copy of the customer notice attached to the Application, mailed on or around February 2, 2015<sup>2</sup>, Cypress indicated that effective April 1, 2015, Cypress will no longer be offering phone or data service. On March 11, 2015, Staff issued its First Set of Data Requests to Cypress. On March 16, 2015, Staff issued its Second Set of Data Requests to Cypress. On April 15, 2015, Responses to Staff’s First and Second Sets of Data Requests were received from Cypress. A copy of a second customer notice sent to Cypress’ customers on or around February 27, 2015, was attached to the Responses to Staff’s Data Requests.

Pursuant to Arizona Administrative Code (“A.A.C.”) R14-2-1107(B), Cypress 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. In its Application, Cypress requested a waiver of the legal notice requirement. Cypress indicated that it has already transferred most customers to other service providers.<sup>3</sup> At the time of its Application, Cypress stated that it was currently providing service to eight (8) business customers, and no residential customers, in Arizona. In response to PJG1-12, Cypress stated that it was serving six (6) business customers<sup>4</sup> in Arizona. In response to PJG1-1, Cypress indicated that its waiver request is based on the fact that it initially

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<sup>1</sup> Decision No. 65414, dated November 20, 2002, Docket No. T-04109A-02-0379.

<sup>2</sup> Response to Staff Data Request, PJG1-9.

<sup>3</sup> Response to Staff Data Request, PJG1-14.

<sup>4</sup> The six (6) Cypress customers in Arizona are served via leased facilities through Verizon Business. See Response to Staff Data Request, PJG1-13.

notified its eight (8) customers, sixty (60) days prior to termination of service and again approximately thirty (30) days prior to termination of service. Due to the limited number of customers Cypress serves, the two (2) customer notices that were sent and most Cypress customers have already been transferred to other service providers, Cypress is requesting a waiver of the legal notice requirement.

Cypress stated in response to PJG1-3(a) that it has approximately \$7,666.17 in customer deposits in Arizona. Cypress also specified that it will refund deposits to all customers within ninety (90) days of termination of service and will waive all existing termination liabilities and penalties for existing customers.<sup>5</sup>

The Consumer Services Section of the Utilities Division report that there were zero (0) complaints or opinions filed against Cypress from January 1, 2012 through March 2, 2015. Consumer Services also reports that Cypress is in Good Standing with the Corporations Division of the Commission.

Cypress does not currently have a performance bond in place. In Decision No. 66938, the Commission required Cypress to procure a performance bond equal to \$200,000. The Applicant indicated to Staff that in 2011 Cypress was acquired by Broadvox, Inc., its parent company. Cypress states that it was not made aware of the bond requirement by its former owner prior to or during the sale process. Cypress also stated that any non-compliance was completely unintentional on its part and apologizes for any omission by Cypress in this regard.<sup>6</sup>

In its responses to Staff, Cypress indicated that it has no affiliates offering telecommunications services in Arizona. There are other carriers offering services in Arizona that are similar to those previously provided by Cypress. Therefore, Staff believes that approval of Cypress' request to cancel its CC&N is in the public interest.

## RECOMMENDATIONS

For the above stated reasons, Staff recommends approval of Cypress' Application to cancel its CC&N to provide competitive facilities-based local exchange and long distance telecommunications services in Arizona. In addition, Staff recommends that the legal notice requirement contained in A.A.C. R14-2-1107 be waived. Staff further recommends cancellation of Cypress' tariffs that are on file with this Commission.

Staff recommends that the cancellation of the CC&N not become effective until all customer deposits have been returned to Cypress' customers. Staff recommends that Cypress file an affidavit in the docket notifying the Commission when all customer deposits have been returned to Cypress' customers.

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<sup>5</sup> Response to Staff Data Request, PJG1-3(b).

<sup>6</sup> Response to Staff Data Request, PJG2-1.

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Upon cancellation of its CC&N, Cypress will no longer be authorized to provide competitive facilities-based local exchange and long distance telecommunications services in Arizona and therefore, will no longer be subject to the requirements of Decision No. 66938.