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Arizona Corporation Commission
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DEC 11 2000
BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. T-03824A-99-0749
NETWORKIP, LLC FOR A CERTIFICATE)
CONVENIENCE AND NECESSITY TO PROVIDE) **STAFF'S FAIR VALUE RATE**
COMPETITIVE INTRASTATE) **BASE COMMENTS**
TELECOMMUNICATIONS SERVICES AS A)
RESELLER EXCEPT LOCAL EXCHANGE)
SERVICE.)

On November 2, 2000 NetworkIP, LLC ("The Applicant") filed a response to the September 8, 2000 Procedural Order's requirement that the Applicant file Fair Value Rate Base ("FVRB") information in support of its application for a Certificate of Convenience and Necessity ("CC&N"). The Applicant is not currently providing service in Arizona. The September 8, 2000 Procedural Order ordered the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and charges within 60 days of the date of the Procedural Order.¹ Staff hereby files its disagreements in response to the Applicant's November 2, 2000 filing.

Staff's Substantive Comments.

The Applicant's response to the ordered FVRB information provides insufficient information for Staff analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires the following three items of information of the Applicant in order to make a FVRB recommendation. First, a dollar figure representing the Applicant's rate base is necessary for a FVRB analysis. This dollar figure should include all assets the Applicant will use to provide the proposed telecommunications services to its Arizona customers for the first twelve months of service and can include office space, office equipment, company vehicles, and other like items. Second, a

¹ The September 8, 2000 Procedural Order also ordered Staff to review the FVRB information filed and ascertain that the Applicant is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs. The information filed by the Applicant was not sufficient to allow Staff to so ascertain.

1 FVRB analysis requires that the Applicant provide an estimate of its annual maximum revenues to
2 be received in exchange for providing the proposed telecommunications services to its Arizona
3 customers for the first twelve months of service assuming the maximum rates as filed in the
4 application. Third, a FVRB analysis requires that the Applicant provide an estimate of its annual
5 maximum expenses incurred in providing the proposed telecommunications services to its Arizona
6 customers for the first twelve months of services assuming the maximum rates as filed in the
7 application.

8 The September 8, 2000 Procedural Order referenced the Opinion of the Arizona Court of
9 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that
10 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the
11 Opinion to the Arizona Supreme Court, including Staff, Electric Lightwave, Inc., AT&T, Sprint
12 Communications, MFS Intelnet, and Cox Arizona Telcom.

13 **Staff's Procedural Comments.**

14 Staff believes that in light of the current appeal status of the Opinion, that the Applicant
15 should have the choice of the following two procedural options in proceeding with its CC&N
16 application.

17 **Alternative #1:**

18 Staff recommends that if the Applicant wishes to have permanent rates set in this proceeding,
19 that it be ordered to file the three above-described FVRB information items within 30 days of the
20 date of any Commission order granting the requested CC&N, or at least 90 days prior to providing
21 service. The Applicant should be ordered to notify Staff within ten calendar days of providing
22 service. If there are any disagreements with any FVRB information the Applicant files, the Order
23 granting the Applicant's CC&N should be stayed pending resolution of those disagreements.

24 **Alternative #2:**

25 If the Applicant desires to proceed with its CC&N application without providing FVRB
26 information at this time, Staff believes that any tariffs filed in this matter should be reviewed and
27 approved on an interim basis. If a CC&N is conditionally granted and tariffs are authorized on an
28 interim basis, the Applicant should be required to file the three FVRB items with the Commission

1 within thirty days of any final court mandate on the Fair Value requirement, and failure to file the
2 information should result in the expiration of the conditional CC&N as well as expiration of any
3 approval to charge its tariffs on an interim basis. If there are any disagreements with any FVRB
4 information the Applicant files, the Order granting the Applicant's CC&N should be stayed pending
5 resolution of those disagreements.

6
7 RESPECTFULLY SUBMITTED this 11th day of December, 2000.

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11 Arizona Corporation Commission
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16 The original and fifteen (15) copies
17 of the foregoing filed this 11th day
18 of December, 2000, with:

19 Docket Control
20 Arizona Corporation Commission
21 1200 West Washington Street
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23 Copy of the foregoing was mailed
24 this 11th day of December, 2000 to:

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