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Arizona Corporation Commission

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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 NETWORKIP, LLC FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE INTRASTATE TELECOMMUNICATIONS SERVICES AS A RESELLER EXCEPT LOCAL EXCHANGE SERVICES

DOCKET NO. T-03824A-99-0749

PROCEDURAL ORDER

BY THE COMMISSION:

On December 29, 1999, NetworkIP, LLC ("Company") filed with Docket Control of the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive intrastate telecommunications services as a reseller, except local exchange services, within the State of Arizona. The Company is required to publish notice of its filing in newspapers in all counties where service is to be provided. The record shows that the Company has published notice with affidavits of publication filed with the Commission on May 15, 2000. On August 28, 2000, the Commission's Utilities Division Staff ("Staff") filed its Staff Report in this matter.

On August 29, 2000, the Arizona Court of Appeals, Division One, ("Court") issued its Opinion in Cause No. 1 CA-CV 98-0672 ("Opinion"). The Court determined that Article XV, Section 14 of the Arizona Constitution requires the Commission to "determine fair value rate base ("FVRB") for all public service corporations in Arizona prior to setting their rates and charges." Although that Opinion will more than likely be appealed to the Arizona Supreme Court, we are going to request FVRB information at this time to insure compliance with the Constitution should the ultimate decision of the Supreme Court affirm the Court's interpretation of Section 14. We also are concerned that the cost and complexity of FVRB determinations must not offend the Telecommunications Act of 1996.

The time frame for processing this application expires on October 4, 2000. However, the time

1 frame shall be extended to December 1, 2000 to provide additional time for processing the
2 application.

3 Pursuant to A.R.S. § 40-282, the Commission may act on an application for a Certificate to
4 provide resold telecommunications services without a hearing, or with a hearing if one is requested
5 by any party.

6 The Commission now issues this Procedural Order to govern the preparation and conduct of
7 this proceeding.

8 IT IS THEREFORE ORDERED that the deadline for processing this application shall be
9 December 1, 2000.

10 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105
11 except that all motions to intervene must be filed on or before September 29, 2000.

12 IT IS FURTHER ORDERED that NetworkIP, LLC shall file its proposed FVRB within 30
13 days of the date of this Order (pursuant to A.A.C. R14-2-103(B), this may be the same as original
14 cost rate base). The FVRB shall include the value of all plant and equipment currently held by the
15 Company and intended to be used to provide telecommunications services to Arizona customers. In
16 doing so, NetworkIP, LLC may use any reasonable means of asset allocation, direct assignment or
17 combination thereof.

18 IT IS FURTHER ORDERED that NetworkIP, LLC shall file a description of all plant and
19 equipment currently held by the Company and intended to be used to provide telecommunications
20 services to Arizona customers, including their cost and location, within 30 days of the date of this
21 Order.

22 IT IS FURTHER ORDERED that NetworkIP, LLC shall file information demonstrating how
23 the value of the Company's plant and equipment (both current and projected) is related to its total
24 service long-run incremental costs within 30 days of the date of this Order (such demonstration must
25 include the amount of depreciation expense and capital carrying costs related to the FVRB which has
26 been incorporated into the long-run incremental costs).

27 IT IS FURTHER ORDERED that for all maximum rates and charges of NetworkIP, LLC
28 which are higher than those of the incumbent local exchange carrier ("ILEC") for the same regulated

1 services, NetworkIP, LLC must demonstrate that such rates and charges are not unreasonable, and
2 constitute a fair rate of return on FVRB (if there is more than one ILEC in your proposed service
3 area, use Qwest Corporation as a surrogate ILEC for the entire state).

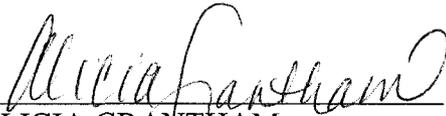
4 IT IS FURTHER ORDERED that Staff shall review the FVRB information filed and ascertain
5 that NetworkIP, LLC is utilizing the appropriate amount of depreciation and capital carrying costs in
6 determining its total service long-run incremental costs.

7 IT IS FURTHER ORDERED that Staff or Intervenors shall file disagreements with the
8 proposed FVRB and/or rates and charges, as well as request a hearing, within 60 days of this Order.

9 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
10 pursuant to Rule 6(a) or (e) of the Arizona Rules of Civil Procedure.

11 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend or waive
12 any portion of this Procedural Order by subsequent Procedural Order or by ruling at hearing.

13 DATED this 8th day of September, 2000.


ALICIA GRANTHAM
ADMINISTRATIVE LAW JUDGE

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18 Copies of the foregoing mailed/delivered
this 8th day of September, 2000 to:

19 Tony Van Burkleo
20 NETWORKIP, LLC
119 West Tyler Street, Suite 168
21 Longview, Texas 75601

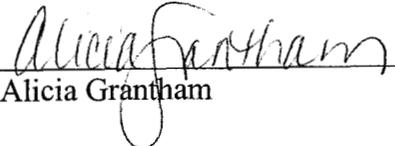
22 Lance J.M. Steinhart
6455 East Johns Crossing, Suite 285
23 Duluth, Georgia 30097
24 Attorney for Applicant

25 Maureen Arnold
Qwest Corporation
26 3033 North Third Street, Suite 1010
27 Phoenix, Arizona 85012
28

1 Timothy Berg
FENNEMORE CRAIG
2 3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
3 Attorney for Qwest Corporation

4 Lyn Farmer, Chief Counsel
Legal Division
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington Street
Phoenix, AZ 85007

7 Deborah Scott, Director
8 Utilities Division
9 ARIZONA CORPORATION COMMISSION
10 1200 West Washington Street
Phoenix, AZ 85007

11 By: 
Alicia Grantham

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