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THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission

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AZ CORP COMMISSION
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6 IN THE MATTER OF THE APPLICATION)
OF OLS INC. FOR A CERTIFICATE OF)
7 CONVENIENCE AND NECESSITY TO)
PROVIDE COMPETITIVE RESOLD)
8 INTEREXCHANGE TELECOMMUNICATIONS)
SERVICES.)

DOCKET NO. T-03651A-98-0633

STAFF'S FAIR VALUE RATE
BASE COMMENTS

10 On October 4, 2000, OLS, Inc. ("OLS") filed a response to the September 29, 2000
11 Procedural Order's requirement that OLS file Fair Value Rate Base ("FVRB") information in support
12 of its application for a Certificate of Convenience and Necessity ("CC&N"). OLS is currently
13 providing service in Arizona. The September 29, 2000 Procedural Order ordered the Utilities
14 Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and charges by
15 12 noon on December 5, 2000.¹ Staff hereby files its disagreements with OLS's October 4, 2000
16 filing.

17 **Staff's Substantive Comments.**

18 OLS's response to the ordered FVRB information provides insufficient information for Staff
19 analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires the
20 following three items of information of OLS in order to make a FVRB recommendation. First, a
21 dollar figure representing OLS's rate base is necessary for a FVRB analysis. This dollar figure
22 should include all assets OLS will use to provide the proposed telecommunications services to its
23 Arizona customers for the first twelve months of service and can include office space, office
24 equipment, company vehicles, and other like items. Second, a FVRB analysis requires that OLS
25 provide an estimate of its annual maximum revenues to be received in exchange for providing the

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27 1 The September 29, 2000 Procedural Order also ordered Staff to review the FVRB information
28 filed and ascertain that OLS is utilizing the appropriate amount of depreciation and capital carrying
costs in determining its total service long-run incremental costs. The information filed by OLS on
October 4, 2000 was not sufficient to allow Staff to so ascertain.

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

6 The September 29, 2000 Procedural Order referenced the Opinion of the Arizona Court of
7 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that
8 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the
9 Opinion to the Arizona Supreme Court, including the Arizona Corporation Commission, Electric
10 Lightwave, Inc., AT&T, Sprint Communications, MFS Intelnet, and Cox Arizona Telcom.

11 **Staff's Procedural Comments.**

12 Staff believes that in light of the current appeal status of the Opinion, that OLS should have
13 the choice of the following two procedural options in proceeding with its CC&N application.

14 Alternative #1:

15 Staff recommends that if OLS wishes to have permanent rates set in this proceeding, that it
16 be ordered to file the three above-described FVRB information items within 30 days of the date of
17 any Commission order granting the requested CC&N. If there are any disagreements with any FVRB
18 information OLS files, the Order granting OLS's CC&N should be stayed pending resolution of
19 those disagreements.

20 Alternative #2:

21 If OLS desires to proceed with its CC&N application without providing FVRB information
22 at this time, Staff believes that any tariffs filed in this matter should be reviewed and approved on
23 an interim basis. If a CC&N is conditionally granted and tariffs are authorized on an interim basis,
24 OLS should be required to file the three FVRB items with the Commission within thirty days of any
25 final court mandate on the Fair Value requirement, and failure to file the information should result
26 in the expiration of the conditional CC&N as well as expiration of any approval to charge its tariffs
27 on an interim basis. If there are any disagreements with any FVRB information OLS files, the Order
28 granting OLS's CC&N should be stayed pending resolution of those disagreements.

1 granting OLS's CC&N should be stayed pending resolution of those disagreements.

2 RESPECTFULLY SUBMITTED this 5th day of December, 2000.

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Robert J. Metli
Arizona Corporation Commission
Attorney, Legal Division
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

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8 The original and fifteen (15) copies
9 of the foregoing filed this 5th day
of December, 2000, with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington Street
Phoenix, Arizona 85007

13 Copy of the foregoing was mailed
this 5th day of December, 2000 to:

14 Paul Dean
15 Rogena Harris
The Helein Law Group, P.C.
16 8180 Greensboro Drive, Suite 700
McLean, Virginia 22102

17 Geri Clary
18 OLS, Inc.
1030 Cambridge Square, Suite E
Alpharetta, GA 30201

19

20 
21 Angela L. Bennett

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