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BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
CHAIRMAN

JIM IRVIN
COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

DOCKETED BY

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
OLS, INC. FOR A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO PROVIDE
COMPETITIVE RESOLD INTEREXCHANGE
TELECOMMUNICATIONS SERVICES

DOCKET NO. T-03651A-98-0633

PROCEDURAL ORDER

BY THE COMMISSION:

On November 3, 1998, OLS, Inc. ("Applicant") filed with Docket Control of the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services within the State of Arizona.

On November 16, 1998 and on November 4, 1999, OLS, Inc. filed amendments to its application.

On August 3, 2000, OLS, Inc. filed a Response to Arizona Corporation Commission Request for Additional Information.

On August 23, 2000, OLS, Inc. filed Affidavits of Publication indicating compliance with the Commission's notice requirements.

On August 29, 2000, the 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.

1 On September 13, 2000, the Commission's Utilities Division Staff ("Staff") filed its Staff
2 Report in this matter.

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 Pursuant to Commission rules, the Commission now issues this Procedural Order to govern
7 the preparation and conduct of this proceeding.

8 IT IS THEREFORE ORDERED that OLS, Inc. shall file its proposed FVRB as soon as
9 possible but no later than **12 noon** on November 3, 2000 (pursuant to A.A.C. R14-2-103(B), this may
10 be the same as original cost rate base). The FVRB shall include the value of all plant and equipment
11 currently held by the Company and intended to be used to provide telecommunications services to
12 Arizona customers. In doing so, OLS, Inc. may use any reasonable means of asset allocation, direct
13 assignment or combination thereof.

14 IT IS FURTHER ORDERED that OLS, Inc. shall file a description of all plant and equipment
15 currently held by the Company and intended to be used to provide telecommunications services to
16 Arizona customers, including their cost and location, as soon as possible, but no later than **12 noon**
17 on November 3, 2000.

18 IT IS FURTHER ORDERED that OLS, Inc. shall file information demonstrating how the
19 value of its plant and equipment (both current and projected) is related to its total service long-run
20 incremental costs as soon as possible, but no later than **12 noon** on November 3, 2000 (such
21 demonstration must include the amount of depreciation expense and capital carrying costs related to
22 the FVRB which has been incorporated into the long-run incremental costs).

23 IT IS FURTHER ORDERED that for all maximum rates and charges of OLS, Inc. which are
24 higher than those of the incumbent local exchange carrier ("ILEC") for the same regulated services,
25 OLS, Inc. must demonstrate that such rates and charges are not unreasonable, and constitute a fair
26 rate of return on FVRB (if there is more than one ILEC in your proposed service area, use Qwest
27 Corporation as a surrogate ILEC for the entire state).

28 IT IS FURTHER ORDERED that Staff shall review the FVRB information filed and ascertain

1 that OLS, Inc. is utilizing the appropriate amount of depreciation and capital carrying costs in
2 determining its total service long-run incremental costs.

3 IT IS FURTHER ORDERED that Staff or Intervenors shall file disagreements with the
4 proposed FVRB and/or rates and charges by **12 noon** on December 5, 2000.

5 IT IS FURTHER ORDERED that Applicant shall file written exceptions, if any, to the Staff
6 Report or Staff's comments on OLS, Inc.'s proposed FVRB or make a request for a hearing by **12**
7 **noon** on December 12, 2000.

8 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
9 except that all motions to intervene must be filed on or before **12 noon** on October 24, 2000.

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

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

14 DATED this 29th day of September, 2000.



STEPHEN GIBELLI
ADMINISTRATIVE LAW JUDGE

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19 Copies of the foregoing mailed/delivered
This 29th day of September, 2000 to:

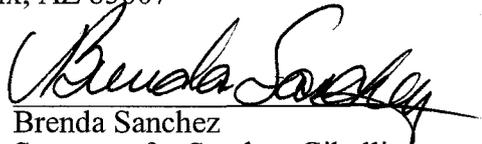
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