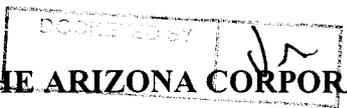




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AZ CORP COMMISSION  
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BEFORE THE ARIZONA CORPORATION COMMISSION

- 1
- 2 CARL J. KUNASEK  
CHAIRMAN
- 3 JIM IRVIN  
COMMISSIONER
- 4 WILLIAM A. MUNDELL  
COMMISSIONER
- 5

6 IN THE MATTER OF THE APPLICATION OF  
 7 VERIZON SELECT SERVICES, INC. F/K/A GTE  
 8 COMMUNICATIONS CORPORATION FOR A  
 9 COMPETITIVE CERTIFICATE OF PUBLIC  
 10 CONVENIENCE AND NECESSITY  
 11 AUTHORIZING INTEREXCHANGE FACILITIES-  
 12 BASED SERVICES AND THE CONSTRUCTION  
 13 AND OPERATION OF A COMPETITIVE  
 14 INTEREXCHANGE LONG DISTANCE  
 15 TELECOMMUNICATIONS SYSTEM  
 16 THROUGHOUT THE STATE OF ARIZONA

DOCKET NO. T-03258A-00-0236

12 IN THE MATTER OF THE APPLICATION OF  
 13 VERIZON SELECT SERVICES, INC. F/K/A GTE  
 14 COMMUNICATIONS CORPORATION FOR  
 15 AUTHORITY TO OPERATE AS A PROVIDER OF  
 16 ALTERNATIVE OPERATOR SERVICES  
 17 STATEWIDE IN ARIZONA

DOCKET NO. T-03258A-97-0568

15 IN THE MATTER OF THE APPLICATION OF  
 16 VERIZON SELECT SERVICES, INC. F/K/A GTE  
 17 COMMUNICATIONS CORPORATION FOR A  
 18 COMPETITIVE CERTIFICATE OF PUBLIC  
 19 CONVENIENCE AND NECESSITY  
 20 AUTHORIZING LOCAL EXCHANGE SERVICES  
 21 VIA RESALE AND THE CONSTRUCTION AND  
 22 OPERATION OF A COMPETITIVE LOCAL  
 23 EXCHANGE TELECOMMUNICATIONS  
 24 SYSTEM THROUGHOUT THE CURRENT  
 25 LOCAL EXCHANGE OPERATING AREAS IN  
 26 THE STATE OF ARIZONA OF US WEST  
 27 COMMUNICATIONS, INC., AND CITIZENS  
 28 UTILITIES COMPANY AND AFFILIATES

DOCKET NO. T-03258A-97-0545

23 IN THE MATTER OF THE APPLICATION OF  
 24 VERIZON SELECT SERVICES, INC. F/K/A GTE  
 25 COMMUNICATIONS CORPORATION FOR A  
 26 CERTIFICATE OF PUBLIC CONVENIENCE AND  
 27 NECESSITY TO PROVIDE COMPETITIVE  
 28 INTRASTATE TELECOMMUNICATIONS  
 SERVICES AS A RESELLER

DOCKET NO. T-03258A-96-0492

PROCEDURAL ORDER

**BY THE COMMISSION:**

On September 12, 1996, Verizon Select Services, Inc. f/k/a GTE Communications

1 Corporation ("Verizon" or "Applicant") filed with Docket Control of the Arizona Corporation  
2 Commission ("Commission") an application for a Certificate of Convenience and Necessity  
3 ("Certificate") authorizing interexchange facilities-based services and the construction and operation  
4 of a competitive interexchange long distance telecommunications system throughout the state of  
5 Arizona. On October 2, 1997, Verizon filed an application for a Certificate authorizing resale of  
6 local exchange services and the construction and operation of a competitive local exchange  
7 telecommunications system throughout the current local exchange operating areas in the state of  
8 Arizona. On October 17, 1997, Verizon filed an application for authority to operate as a provider of  
9 alternative operator services statewide in Arizona. On April 18, 2000, Verizon filed an application  
10 for a Certificate authorizing interexchange facilities-based services and the construction and  
11 operation of a competitive interexchange long distance telecommunications system throughout the  
12 state of Arizona.

13 Verizon filed Affidavits of Publication in the above matters on June 19, 1997, November 12,  
14 1997, and June 29, 2000.

15 On May 2, 2000, Verizon filed a Motion requesting consolidation of the above captioned  
16 matters. Additionally, on May 10, 2000, the Commission's Utilities Division Staff ("Staff") filed a  
17 Motion to Consolidate. The Motions to Consolidate were granted by Procedural Order dated June 8,  
18 2000.

19 On July 13, 2000, the Applicant filed information with the Commission indicating GTE  
20 Communications Corporation's name change to Verizon Select Services, Inc.

21 On September 22, 2000, Staff filed its Staff Report in this matter.

22 On August 29, 2000, the Arizona Court of Appeals, Division One, ("Court") issued its  
23 Opinion in Cause No. 1 CA-CV 98-0672 ("Opinion"). The Court determined that Article XV,  
24 Section 14 of the Arizona Constitution requires the Commission to "determine fair value rate base  
25 ("FVRB") for all public service corporations in Arizona prior to setting their rates and charges."  
26 Although that Opinion will more than likely be appealed to the Arizona Supreme Court, we are going  
27 to request FVRB information at this time to insure compliance with the Constitution should the  
28 ultimate decision of the Supreme Court affirm the Court's interpretation of Section 14. We also are

1 concerned that the cost and complexity of FVRB determinations must not offend the  
2 Telecommunications Act of 1996.

3 The time frame for processing Verizon's application expires January 23, 2001.

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

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

9 ~~IT IS THEREFORE ORDERED~~ that the hearing on the above applications shall be scheduled  
10 for December 14, 2000 at 1:00 p.m., or as soon thereafter as is practical, at the Commission's offices,  
11 1200 West Washington Street, Phoenix, Arizona.

12 IT IS FURTHER ORDERED that the deadline for processing these applications shall be  
13 January 23, 2001.

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

20 IT IS FURTHER ORDERED that Verizon Select Services, Inc. shall file a description of all  
21 plant and equipment currently held by the company and intended to be used to provide  
22 telecommunications services to Arizona customers, including their cost and location, within 30 days  
23 of the date of this Order.

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

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

6 IT IS FURTHER ORDERED that Staff shall review the FVRB information filed and ascertain  
7 that Verizon Select Services, Inc. is utilizing the appropriate amount of depreciation and capital  
8 carrying costs in determining its total service long-run incremental costs.

9 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105  
10 except that all motions to intervene must be filed on or before October 20, 2000.

11 IT IS FURTHER ORDERED that any objections to motions to intervene shall be filed on or  
12 before October 27, 2000 **by 12 noon**.

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

15 IT IS FURTHER ORDERED that Staff and Verizon Select Services, Inc. shall file **by 12:00**  
16 **noon** on December 11, 2000, a list of witnesses and subject area(s) to be covered at the hearing in the  
17 above matters.

18 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and  
19 regulations of the Commission, except that every effort shall be made to respond within 48 hours of  
20 receipt; the response time may be extended by mutual agreement of the parties involved if the request  
21 requires an extensive compilation effort.

22 IT IS FURTHER ORDERED that in the alternative to filing a written motion to compel  
23 discovery, any party seeking discovery may telephonically contact the Commission's Hearing  
24 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such  
25 request, a procedural hearing will be convened as soon as practicable; and that the party making such  
26 request shall forthwith contact all other parties to advise them of the hearing date and shall at the  
27  
28

1 hearing provide a statement confirming that the other parties were contacted.<sup>1</sup>

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

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

6 DATED this 27<sup>th</sup> day of September, 2000.

7  
8   
9 ALICIA GRANTHAM  
ADMINISTRATIVE LAW JUDGE

10 Copies of the foregoing mailed/delivered  
11 this 27<sup>th</sup> day of September, 2000 to:

12 Thomas L. Mumaw  
13 SNELL & WILMER L.L.P.  
14 One Arizona Center  
15 Phoenix, Arizona 85004-2202  
16 Attorney for Verizon Select Services, Inc.

17 Paul M. Fuglie  
18 VERIZON SELECT SERVICES, INC.  
19 Regulatory Affairs Department, HQK02073  
20 6665 N. MacArthur Blvd.  
21 Irving, Texas 75039

22 Timothy Berg  
23 FENNEMORE CRAIG  
24 3003 North Central Avenue, Suite 2600  
25 Phoenix, Arizona 85012  
26 Attorney for Qwest Corporation

27 Thomas Dethlefs, Esq.  
28 Qwest Law Department  
1801 California Street, Suite 5100  
Denver, Colorado 80202

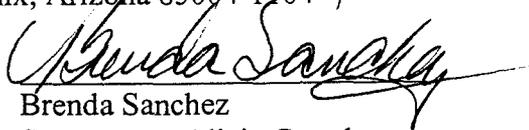
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26 ...  
27 ...

<sup>1</sup> The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

1 Lyn Farmer, Chief Counsel  
2 Legal Division  
3 ARIZONA CORPORATION COMMISSION  
4 1200 West Washington Street  
5 Phoenix, Arizona 85007

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

11 ARIZONA REPORTING SERVICES, INC.  
12 2627 N. Third Street, Suite Three  
13 Phoenix, Arizona 85004-1104

14 By:   
15 Brenda Sanchez  
16 Secretary to Alicia Grantham  
17  
18  
19  
20  
21  
22  
23  
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