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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF VERIZON SELECT SERVICES INC. F/K/A/ GTE COMMUNICATIONS CORPORATION FOR A COMPETITIVE CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE FACILITIES-BASED INTEREXCHANGE TELECOMMUNICATIONS SERVICES IN ARIZONA	DOCKET NO. T-03258A-00-0236
IN THE MATTER OF THE APPLICATION OF VERIZON SELECT SERVICES INC. F/K/A/ GTE COMMUNICATIONS CORPORATION FOR AUTHORITY TO OPERATE AS A PROVIDER OF ALTERNATIVE OPERATOR SERVICES IN ARIZONA	DOCKET NO. T-03258A-97-0568
IN THE MATTER OF THE APPLICATION OF VERIZON SELECT SERVICES INC. F/K/A/ GTE COMMUNICATIONS CORPORATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE FACILITIES-BASED AND RESOLD LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES IN ARIZONA THROUGHOUT THE LOCAL EXCHANGE OPERATING AREAS OF U S WEST	DOCKET NO. T-03258A-97-0545

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IN THE MATTER OF THE APPLICATION OF VERIZON SELECT SERVICES INC. F/K/A/ GTE COMMUNICATIONS CORPORATION FOR AUTHORITY TO OPERATE AS A PROVIDER OF ALTERNATIVE OPERATOR SERVICES IN ARIZONA	DOCKET NO. T-03258A-96-0492 **RESPONSE TO STAFF MEMORANDUM RE COMPLIANCE TO DECISION NO. 63546** **(ORAL ARGUMENT REQUESTED)**

In Decision 63546 dated April 4, 2001, Verizon Select Services, Inc., ("VSSI" or the "Company") was granted a certificate of convenience and necessity ("CC&N") to provide competitive facilities-based and resold intrastate telecommunications services and AOS services in Arizona. The CC&N was conditioned upon a number of Utilities Division Staff ("Staff") recommendations, including a requirement that VSSI file fair value rate base ("FVRB") information within 18 months of the date VSSI first provides service following certification (as set forth in Finding of Fact 18(b) of Decision 63546). While VSSI timely satisfied the other requirements of Decision 64546, VSSI failed to file its FVRB information within the deadline, and on October 8, 2002, the Commission's compliance and enforcement manager notified VSSI that the Company's CC&N was void as a result of the failure to file the FVRB information.[1]

VSSI is not required to file FVRB information in any of the other 49 states where the Company operates, and the information requested by Staff is not maintained by VSSI in the ordinary course of business. As a result, VSSI was unaccustomed to developing such information, which caused a delay in completing the requirement. However, VSSI did file its FVRB information on April 15, 2003, and requested a retroactive extension of

[1] In its memorandum, Staff states that the October 8, 2002 letter requested VSSI to respond within 30 days if the Company did not want its CC&N to be revoked. However, the compliance letter made no such reference to a response period. Rather, the letter stated that the CC&N was void, and that VSSI should file a new application for a CC&N. This statement led to some uncertainly on the part of VSSI regarding exactly what needed to be done in order to remedy the situation. Had the letter requested a response within 30 days, VSSI would have responded.

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the filing deadline through and including April 15, 2003, the date of the filing. VSSI also requested that the Commission confirm that its CC&N remains in effect.

On June 18, 2003, Staff issued a memorandum[2] recommending: (i) that VSSI's request for extension of the deadline be denied; (ii) that VSSI immediately desist from providing telecommunications service in Arizona until the Company files a new application to provide service and that application is approved; and (iii) that VSSI notify its customers of its discontinuance of service and provide a list to its customers of alternative providers or resold inter-exchange service. In her August 20, 2003, Procedural Order, the Commission's Chief Administrative Law Judge directed VSSI to respond to the Staff memorandum. The Company's response follows.

The Staff recommendation is inappropriate in this case for several reasons, the most significant of which is that the Staff recommendation will not serve the public interest. VSSI has been providing resold long distance telephone service in Arizona since 1996, and AOS since 1997. VSSI currently serves approximately 30-35 enterprise customers in Arizona, all of which are large corporate customers. The majority of these customers are national accounts for VSSI, which means that they obtain long distance service from VSSI in multiple states.[3] In addition, there are approximately 5,890 payphone lines in Arizona which are presubscribed to VSSI's long distance service. If VSSI is ordered to cease providing these services as recommended by Staff, the Company's customers will be subjected to the inconvenience and potentially higher cost of obtaining their services from another carrier. Thus, the Staff recommendation would penalize customers that are fully satisfied with the service they receive from VSSI.

[2] Although VSSI's outside legal counsel was listed on the service list attached to Staff's memorandum, VSSI's counsel did not receive a copy of the Staff Memorandum. VSSI's counsel first learned of the Staff memorandum when he received a copy of the August 20, 2003, Procedural Order in this docket.

[3] VSSI also markets pre-paid long distance calling cards to customers in Arizona through approximately 100 retail outlets.

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In addition, VSSI has timely complied with all other requirements of Decision 63546. As stated above, the failure to timely file FVRB information was not the result of any willful disregard of a Commission order, but rather the uncertainty and resulting delay surrounding compliance with a requirement that the Company had simply not seen in other states. And, the Company did in fact file the required FVRB information, and Staff has not asserted that the filing was substantively deficient. VSSI is certainly mindful of its obligation to timely comply with all Commission rules and orders, and the Company takes this obligation seriously. However, the penalty proposed by Staff for the late filing is clearly excessive and serves not only to punish VSSI but also those Arizona businesses who subscribe to VSSI's services. Moreover, the FVRB requirement may be viewed as a "technical" requirement on a par much different than, for example, the failure to file a tariff.

It should also be recognized that VSSI has an outstanding record of customer service and satisfaction in Arizona, and that the Company has no formal or informal complaints with the Commission. VSSI submits that its record of excellent service should entitle the Company to some deference in this case. Moreover, the Company notes that in a case with very similar facts to this one, the Commission's Hearing Division recently granted a request for retroactive extension of a deadline for filing FVRB information. *See In the Matter of the Application of Primus Telecommunications, Inc., for a Certificate of Convenience and Necessity to Provide Competitive Resold Interexchange Telecommunications Services Except Local Exchange Services* (Docket No. T-03243A-96-0043), Procedural Order dated September 2, 2003.

In conclusion, VSSI respectfully requests that the Commission approve the Company's request for a retroactive extension of the compliance deadline for filing FVRB information through and including April 15, 2003, the date that VSSI filed its FVRB information. VSSI further requests that the Commission confirm that its CC&N as issued

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in Decision 63546 remains in full force and effect. Finally, VSSI requests that the FVRB information that was submitted on April 15, 2003, be accepted as filed.

RESPECTFULLY SUBMITTED this 11th day of September, 2003.

SNELL & WILMER

By _____

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