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Arizona Corporation Commission

~~BEFORE THE ARIZONA CORPORATION COMMISSION~~

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CARL J. KUNASEN DEC 01 2000  
Chairman

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JIM IRVIN DOCKETED BY JM  
Commissioner  
WILLIAM A. MUNDELL  
Commissioner

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION )  
OF LOTEL, INC. D/B/A COORDINATED )  
BILLING SERVICES FOR A CERTIFICATE )  
OF CONVENIENCE AND NECESSITY TO )  
PROVIDE COMPETITIVE INTRASTATE )  
TELECOMMUNICATIONS SERVICES AS A )  
RESELLER EXCEPT LOCAL EXCHANGE )  
SERVICES )

DOCKET NO. T-03846A-00-0143

**STAFF'S FAIR VALUE RATE  
BASE COMMENTS**

On November 2, 2000, Lotel, Inc. d/b/a Coordinated Billing Services ("Lotel") filed a response to the October 3, 2000 Procedural Order's requirement that Lotel file Fair Value Rate Base ("FVRB") information in support of its application for a Certificate of Convenience and Necessity ("CC&N). Lotel is not currently providing service in Arizona. The October 3, 2000 Procedural Order ordered the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and charges within 60 days of the date of the Procedural Order.<sup>1</sup> Staff hereby files its disagreements with Lotel's November 2, 2000 filing.

**Staff's Substantive Comments.**

Lotel's response to the ordered FVRB information provides insufficient information for Staff analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires the following three items of information of Lotel in order to make a FVRB recommendation. First, a dollar figure representing Lotel's rate base is necessary for a FVRB analysis. This dollar figure should include all assets Lotel will use to provide the proposed telecommunications services to its Arizona customers for the first twelve months of service, and can include office space, office equipment, company vehicles, and other like items. Second, a FVRB analysis requires that Lotel

<sup>1</sup> The October 3, 2000 Procedural Order also ordered Staff to review the FVRB information filed and ascertain that Lotel is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs. The information filed by Lotel on November 2, 2000 was not sufficient to allow Staff to so ascertain.

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

7 The October 3, 2000 Procedural Order referenced the Opinion of the Arizona Court of  
8 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that  
9 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the  
10 Opinion to the Arizona Supreme Court, including Staff, Electric Lightwave, Inc., AT&T, Sprint  
11 Communications, MFS Intelnet, and Cox Arizona Telcom.

12 **Staff's Procedural Comments.**

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

15 **Alternative #1:**

16 Staff recommends that if Lotel wishes to have permanent rates set in this proceeding, that it  
17 be ordered to file the three above-described FVRB information items within 30 days of the date of  
18 any Commission order granting the requested CC&N, or at least 90 days prior to providing service.

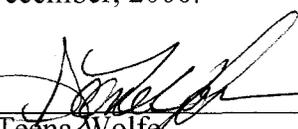
19 Lotel should be ordered to notify Staff within ten calendar days of providing service. If there are  
20 any disagreements with any FVRB information Lotel files, the Order granting Lotel's CC&N should  
21 be stayed pending resolution of those disagreements.

22 **Alternative #2:**

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

1 on an interim basis. If there are any disagreements with any FVRB information Lotel files, the Order  
2 granting Lotel's CC&N should be stayed pending resolution of those disagreements.

3 RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of December, 2000.

4  
5 By: 

Teena Wolfe  
Arizona Corporation Commission  
Attorney, Legal Division  
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(602) 542-3402

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8 The original and fifteen copies  
9 of the foregoing filed this 1<sup>st</sup> 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 1<sup>st</sup> day of December, 2000 to:

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