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ARIZONA CORPORATION COMMISSION

BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
Chairman

DEC 18 2000

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JIM IRVIN
Commissioner

DOCKETED BY [Signature]

WILLIAM A. MUNDELL
Commissioner

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

0236

IN THE MATTER OF THE APPLICATION OF VERIZON SELECT SERVICES, INC. F/K/A GTE COMMUNICATIONS CORPORATION FOR A COMPETITIVE CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING INTER-EXCHANGE FACILITIES-BASED SERVICES AND THE CONSTRUCTION AND OPERATION OF A COMPETITIVE INTER-EXCHANGE LONG DISTANCE TELECOMMUNICATIONS SYSTEM THROUGHOUT THE STATE OF ARIZONA

) DOCKET NO. T-03258A-00-0325

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 STATEWIDE 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 COMPETITIVE CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING LOCAL EXCHANGE SERVICES VIA RESALE AND THE CONSTRUCTION AND OPERATION OF A COMPETITIVE LOCAL EXCHANGE TELECOMMUNICATIONS SYSTEM THROUGHOUT THE CURRENT LOCAL EXCHANGE OPERATING AREAS IN THE STATE OF ARIZONA OF US WEST COMMUNICATIONS, INC.; AND CITIZENS UTILITIES COMPANY AND AFFILIATES

) DOCKET NO. T-03258A-97-0545

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

) DOCKET NO. T-03258A-96-0492

STAFF'S FAIR VALUE RATE BASE COMMENTS

On November 17, 2000, Verizon Select Services, Inc. ("Verizon") filed a response to the October 31, 2000 Procedural Order's requirement that Verizon file Fair Value Rate Base ("FVRB")

1 information in support of its application for a Certificate of Convenience and Necessity ("CC&N").
2 Verizon is currently providing service in Arizona. The October 5, 2000 Procedural Order ordered
3 the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and
4 charges within 60 days of the date of the Procedural Order.¹ Staff hereby files its disagreements with
5 Verizon's November 17, 2000 filing.

6 **Staff's Substantive Comments.**

7 Verizon's response to the ordered FVRB information provides insufficient information for
8 Staff analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires
9 the following three items of information of Verizon in order to make a FVRB recommendation.
10 First, a dollar figure representing Verizon's rate base is necessary for a FVRB analysis. This dollar
11 figure should include all assets used to provide the proposed telecommunications services to its
12 Arizona customers for the first twelve months of service, and can include office space, office
13 equipment, company vehicles, and other like items. Second, a FVRB analysis requires that Verizon
14 provide its maximum revenues received in exchange for providing the proposed telecommunications
15 services to its Arizona customers for the first twelve months of service, assuming the maximum rates
16 as filed in the application. Third, a FVRB analysis requires that Verizon provide its maximum
17 expenses incurred in providing the proposed telecommunications services to its Arizona customers
18 for the first twelve months of service, assuming the maximum rates as filed in the application.

19 The October 31, 2000 Procedural Order referenced the Opinion of the Arizona Court of
20 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that
21 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the
22 Opinion to the Arizona Supreme Court, including the Arizona Corporation Commission, Electric
23 Lightwave, Inc., AT&T, Sprint Communications, MFS Intelnet, and Cox Arizona Telecom.

24 **Staff's Procedural Comments.**

25 Staff believes that in light of the current appeal status of the Opinion, Verizon should have
26

27 ¹ The October 31, 2000 Procedural Order also ordered Staff to review the FVRB information
28 filed and ascertain that Verizon is utilizing the appropriate amount of depreciation and capital
carrying costs in determining its total service long-run incremental costs. The information filed by
Verizon on November 17, 2000 was not sufficient to allow Staff to so ascertain.

1 the choice of the following two procedural options in proceeding with its CC&N application.

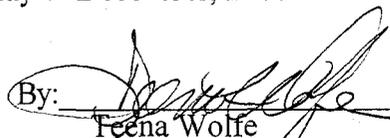
2 Alternative #1:

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

8 Alternative #2:

9 If Verizon desires to proceed with its CC&N application without providing FVRB
10 information at this time, Staff believes that any tariffs filed in this matter should be reviewed and
11 approved on an interim basis. If a CC&N is conditionally granted and tariffs are authorized on an
12 interim basis, Verizon should be required to file the three FVRB items, based on actual information,
13 if available, with the Commission within thirty days of any final court mandate on the Fair Value
14 requirement, and failure to file the information should result in the expiration of the conditional
15 CC&N as well as expiration of any approval to charge its tariffs on an interim basis. If there are any
16 disagreements with any FVRB information Verizon files, the Order granting Verizon's CC&N
17 should be stayed pending resolution of those disagreements.

18 RESPECTFULLY SUBMITTED this 18th day of December, 2000.

19
20 By: 
21 Teena Wolfe
22 Arizona Corporation Commission
23 Attorney, Legal Division
24 1200 West Washington Street
25 Phoenix, Arizona 85007
26 (602) 542-3402

27 The original and fifteen copies
28 of the foregoing filed this 18th day
of December, 2000, with:

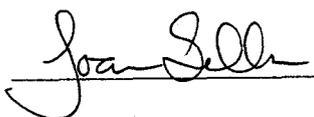
29 Docket Control
30 Arizona Corporation Commission
31 1200 West Washington Street
32 Phoenix, Arizona 85007

1 Copy of the foregoing was mailed
2 this 18th day of December, 2000 to:

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