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Arizona Corporation Commission  
BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
WILLIAM A. MUNDELL  
COMMISSIONER

SEP 12 2000

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AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF NETWORK INTERNATIONAL, LC FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE COMPETITIVE INTRASTATE TOLL TELECOMMUNICATIONS SERVICES AS A RESELLER, EXCEPT LOCAL EXCHANGE SERVICES.

DOCKET NO. T-03616A-98-0486

PROCEDURAL ORDER

**BY THE COMMISSION:**

On August 27, 1998, Network International, LC dba NIL LLC ("Applicant") filed with Docket Control of the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive intrastate toll telecommunications services as a reseller within the State of Arizona. On February 11, 2000, Applicant filed an amended application. On July 25, 2000, Applicant filed Affidavits of Publication indicating compliance with Commission publication requirements. On August 18, 2000, the Commission's Utilities Division Staff ("Staff") filed its Staff Report in this matter.

On August 29, 2000, the Arizona 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.

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

1 by any party.

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

4 IT IS THEREFORE ORDERED that intervention shall be in accordance with A.A.C. R14-3-  
5 105 except that all motions to intervene must be filed on or before September 29, 2000.

6 IT IS FURTHER ORDERED that the Applicant shall file written exceptions, if any, to the  
7 Staff Report or request that a hearing be set within 60 days of the date of this Order.

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

14 IT IS FURTHER ORDERED that Applicant 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, within 30 days of the date of this Order.

17 IT IS FURTHER ORDERED that Applicant shall file information demonstrating how the  
18 value of the Company's plant and equipment (both current and projected) is related to its total service  
19 long-run incremental costs within 30 days of the date of this Order (such demonstration must include  
20 the amount of depreciation expense and capital carrying costs related to the FVRB which has been  
21 incorporated into the long-run incremental costs).

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

27 IT IS FURTHER ORDERED that Staff shall review the FVRB information filed and ascertain  
28 that Applicant is utilizing the appropriate amount of depreciation and capital carrying costs in

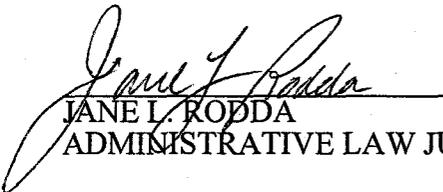
1 determining its total service long-run incremental costs.

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

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

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

8 DATED this 11<sup>th</sup> day of September, 2000.

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11   
12 JANE L. RODDA  
ADMINISTRATIVE LAW JUDGE

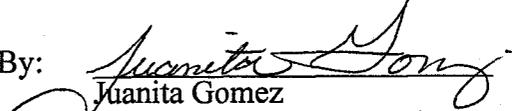
13 Copies of the foregoing mailed  
14 this 11<sup>th</sup> day of September, 2000 to:

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27 Juanita Gomez  
Secretary to Jane L. Rodda

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