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BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK

Chairman

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL

Commissioner

DOCKETED

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AZ CORP COMMISSION  
DOCUMENT CONTROL

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IN THE MATTER OF THE APPLICATION )  
OF ESSENTIAL.COM, INC. D/B/A ESSENTIAL. )  
COM, INC.-YOUR ENERGY & )  
COMMUNICATIONS SUPERSTORE FOR A )  
CERTIFICATE OF CONVENIENCE AND )  
NECESSITY TO PROVIDE COMPETITIVE )  
LOCAL EXCHANGE SERVICES AS A )  
RESELLER. )

DOCKET NO. T-03832A-00-0220

STAFF'S FAIR VALUE RATE  
BASE COMMENTS

Essential.com, Inc. d/b/a Essential.com, Inc.- Your Energy Communications Superstore ("Essential") did not file a response to the September 12, 2000 Procedural Order's requirement that Essential file Fair Value Rate Base ("FVRB") information in support of its application for a Certificate of Convenience and Necessity ("CC&N"). Essential is not currently providing service in Arizona. The September 12, 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> Since Essential did not file FVRB information, Staff hereby files its disagreements.

**Staff's Substantive Comments.**

Since Essential did not respond to the ordered FVRB information, there is 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 Essential in order to make a FVRB recommendation. First, a dollar figure representing Essential's rate base is necessary for a FVRB analysis. This dollar figure should include all assets Essential 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.

<sup>1</sup> The September 12, 2000 Procedural Order also ordered Staff to review the FVRB information filed and ascertain that Essential is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs.

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

7 The September 12, 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 Essential should  
14 have the choice of the following two procedural options in proceeding with its CC&N application.

15 **Alternative #1:**

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

20 If there are any disagreements with any FVRB information Essential files, the Order granting  
21 Essential's CC&N should be stayed pending resolution of those disagreements.

22 **Alternative #2:**

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

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

4 RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of November, 2000.

5 

6 Devinti M. Williams  
7 Arizona Corporation Commission  
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9 1200 West Washington Street  
10 Phoenix, Arizona 85007  
11 (602) 542-3402

12 The original and fifteen copies  
13 of the foregoing filed this 16<sup>th</sup> day  
14 of November, 2000, with:

15 Docket Control  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007

19 Copy of the foregoing was mailed  
20 this 16<sup>th</sup> day of November, 2000 to:

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Angela L. Bennett