



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: AUGUST 8, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYO)

FROM: DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (HAWKINS) *88888*
OFFICE OF THE GENERAL COUNSEL (ELLIOTT) *DAE*
DIVISION OF ECONOMIC REGULATION (LESTER) *W*

RE: DOCKET NO. 020774-TI - PETITION FOR WAIVER OF SURETY BOND
REQUIREMENT IN RULE 25-24.490(2), FLORIDA ADMINISTRATIVE
CODE, BY DOMINION TELECOM, INC.

AGENDA: 08/20/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\020774.RCM

AUG - 8 AM 11:21
 COMMISSION CLERK
 DOMINION TELECOM & PSC

CASE BACKGROUND

On July 22, 2002, Dominion Telecom, Inc. (Dominion) submitted a petition for waiver of Rule 25-24.490(2), Florida Administrative Code. The rule requires that a company maintain on file with the Commission a bond covering its current balance of deposits and advance payments from its customers. In the alternative, the Commission may waive the bond requirement if the company demonstrates that it possesses the financial resources and income to provide the assurance of continued operation under its certificate over the long run.

The Commission has addressed several bond waiver petitions in the past, and has approved or denied them based on the financial data provided by the petitioning interexchange telecommunications carrier.

DOCUMENT NUMBER-DATE
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DISCUSSION OF ISSUES

ISSUE 1: Should Dominion Telecom, Inc. be relieved of the bond requirement of Rule 25-24.490(2), Florida Administrative Code, as provided in the Rule?

RECOMMENDATION: Yes. Dominion Telecom, Inc. should be relieved of the bond requirement of Rule 25-24.490(2), Florida Administrative Code, as provided in the rule. **(HAWKINS,LESTER)**

STAFF ANALYSIS: Rule 25-24.490(2), Florida Administrative Code, Customer Relations; Rules Incorporated, provides two alternatives for the protection of consumers. The first alternative is to maintain a bond, and the second alternative is to demonstrate sufficient resources to be relieved of this requirement by the Commission. Dominion is requesting in this petition that the Commission approve the second alternative.

Rule 25-24.490(2), Florida Administrative Code, states as follows:

An interexchange company may require a deposit as a condition of service and may collect advance payments for more than one month of service if it maintains on file with the Commission a bond covering its current balance of deposits and advance payments (for more than one month's service.) A company may apply to the Commission for a waiver of the bond requirement by demonstrating that it possesses the financial resources and income to provide assurance of continued operation under its certificate over the long term.

Staff believes that Dominion's liquidity and ability to raise funds in the public capital markets are adequate to demonstrate that it has the financial means to continue operations over the long term. (See Attachment) Accordingly, staff recommends that the bond requirement in Rule 25-24.490(2), Florida Administrative Code, be waived for Dominion Telecom, Inc.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's Proposed Agency Action, files a protest within 21 days of the issuance date of the order, this docket should be closed upon the issuance of a Consummating Order.
(ELLIOTT)

STAFF ANALYSIS: Whether staff's recommendation in Issue 1 is approved or denied, the result will be a Proposed Agency Action order. If no timely protest to the proposed agency action is filed within 21 days of the date of issuance of the order, this docket should be closed upon the issuance of a Consummating Order.



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: August 5, 2002
TO: Brenda Hawkins, Division of Competitive Markets and Enforcement
FROM: Pete Lester, Division of Economic Regulation *PL*
RE: Docket No. 020774-TI - Petition of Dominion Telecom, Inc. for Waiver of Florida Public Service Commission Surety Bond Requirement

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Rule 25-24.490 (3), F.A.C., states that a minor IXC:

. . . may require a deposit as a condition for service and may collect advance payments for more than one month of service if it maintains on file with the Commission a bond covering its current balance of deposits and advance payments (for more than one month's service). A company may apply to the Commission for a waiver of the bond requirement by demonstrating that it possesses the financial resources and income to provide assurance of continued operation under its certificate over the long term.

On July 22, 2002, Dominion Telecom, Inc. (Dominion) filed a petition for waiver of the bond requirement. Dominion filed its audited financial statements for the year ended December 31, 2001 and requested confidentiality for its financial statements. Staff analyzed the financial statements and calculated financial ratios. However, to protect confidentiality, staff has not included a schedule of the financial ratios with this memorandum.

In its petition, Dominion states that it has

. . . access to sufficient capital to fund the development and operation of its telecommunications network in Florida, and to meet any financial obligations associated with its provision of interexchange services.

Dominion also states that its revenue increased from \$6.7 million in 2000 to \$66.6 million in 2001. According to the petition, Dominion has more than \$500 million in capitalization and financial commitments and it has substantial investment in its Florida fiber optic network. In addition, Dominion is a subsidiary of Virginia Electric and Power Company, which is a subsidiary of Dominion Resources, Inc. Virginia Electric and Power Company has an A bond rating by Standard and Poor's.

Staff's analysis of the financial statements indicates that Dominion has low liquidity but otherwise has acceptable financial ratios. Staff believes that Dominion has the financial means to guarantee the security of its customers' deposits.

cc: General Counsel