

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

March 6, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (AUDU) *ANT*
DIVISION OF AUDITING & FINANCIAL ANALYSIS (LESTER) *PL OK*
DIVISION OF LEGAL SERVICES (CULPEPPER) *MCB 4/10/97*

RE: DOCKET NO. 961165-TI - PETITION FOR WAIVER OF CUSTOMER
DEPOSIT BOND REQUIREMENT BY NYNEX LONG DISTANCE COMPANY
(FILED 9/25/96)

AGENDA: MARCH 18, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\CMU\WP\961165TI.RCM

CASE BACKGROUND

On September 25, 1996, NYNEX Long Distance Company filed a petition for a waiver of the customer deposit bond requirement.

Rule 25-24.490(2), F.A.C., requires that an 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.

The Commission has ruled on several bond waiver petitions in the past. These bond waiver petitions were approved or denied based on the financial data provided by the petitioning IXC.

DOCUMENT NUMBER-DATE

02456 MAR-66

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant a waiver of the bond requirement in Rule 25-24.490(2), Florida Administrative Code, for NYNEX Long Distance Company?

RECOMMENDATION: No, the Commission should not grant a waiver of the bond requirement in Rule 25-24.490(2), Florida Administrative Code, for NYNEX Long Distance Company.

STAFF ANALYSIS: NYNEX Long Distance Company (NYNEX-LDC or the Company) believes its petition for a waiver of the requirement to post a bond with the Commission for collection of customer deposits should be granted based on the financial strength of its parent company, NYNEX Corporation.

Staff has analyzed the financial statements of NYNEX Corporation and believes that NYNEX Corporation has the financial capability to support this Commission's waiver of the bond requirement for customer deposits held by NYNEX-LDC. This determination is based on the parent company's financial statements and the provision by NYNEX-LDC that in the event that it cannot meet its financial obligations to its customers, the parent company, NYNEX Corporation, will assume the financial obligations, with respect to the customer deposits, of the Company. However, NYNEX Corporation has not furnished any confirmation that it will assume this financial obligation should NYNEX-LDC default. Staff believes that the mere statement by NYNEX-LDC that NYNEX Corporation will assume NYNEX-LDC's financial obligations for the customer deposits is not a sufficient basis upon which to approve a waiver of the bond requirement.

In contacts with various counsel for NYNEX-LDC, staff has made numerous requests for a letter from NYNEX Corporation confirming that it agrees to assume the financial obligation. To this date, the requested letter has not been forthcoming. NYNEX-LDC is a wholly-owned subsidiary of NYNEX Worldwide Services Group, Inc., which in turn, is a wholly-owned subsidiary of NYNEX Corporation, a Delaware corporation. Staff believes that the letter is significant because the Commission has no authority over NYNEX Corporation. The mere mention by NYNEX-LDC of NYNEX Corporation's commitment, without further confirmation by NYNEX Corporation, is not enough to reassure staff that NYNEX Corporation has, in fact, agreed to assume this obligation. Staff believes that such a

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letter of confirmation is necessary for Commission approval of the request for waiver of the bond requirement.

While NYNEX Corporation may have a strong financial standing and NYNEX-LDC alleges that its parent company will assume its financial obligations with regard to its bond waiver request, staff recommends that NYNEX-LDC's bond waiver request be denied. This recommendation is due to the fact that NYNEX Corporation has failed to provide the needed confirmation that it will assume the financial obligation of NYNEX-LDC as it pertains to NYNEX-LDC's bond waiver request.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action, timely files a protest within twenty-one days, this docket should be closed.

STAFF ANALYSIS: If no person whose substantial interests are affected, files a timely request for a Section 120.57, Florida Statutes, hearing within twenty-one days, no further action will be required and this docket should be closed.