



Public Service Commission

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99 NOV -4 AM 11:47
RECORDS AND REPORTING

DATE: NOVEMBER 4, 1999

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

FROM: DIVISION OF COMMUNICATIONS (HINTON) *CH*
DIVISION OF LEGAL SERVICES (CALDWELL) *BR*

RE: DOCKET NO. 990884-TP - REQUEST FOR ARBITRATION CONCERNING COMPLAINT OF ORLANDO TELEPHONE COMPANY REGARDING ENFORCEMENT OF INTERCONNECTION AGREEMENT WITH SPRINT-FLORIDA, INCORPORATED.

AGENDA: NOVEMBER 16, 1999 - REGULAR AGENDA - DECISION PRIOR TO HEARING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMU\WP\990884B.RCM

CASE BACKGROUND

On July 7, 1999, Orlando Telephone Company, Inc. (OTC) filed a Complaint for Enforcement of its Interconnection Agreement with Sprint-Florida, Incorporated (Sprint). In its Complaint, OTC alleges Sprint owes OTC approximately \$232,622.36 for terminating interstate switched access. On July 28, 1999, Sprint filed its Answer to the Complaint.

On September 2, 1999, OTC filed a Motion to Require Compliance with Dispute Resolution Provisions of the Interconnection Agreement. On September 17, 1999, Sprint filed its Response to OTC's Motion to require immediate compliance with dispute resolution provisions of interconnection agreement.

At the October 19, 1999, Agenda Conference, the Commission voted to order Sprint to pay \$116,311.18 of the amount in dispute but directed staff to first research the question concerning

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acceptable form of security and bring the matter back to the Commission. The Division of Auditing and Financial Analysis researched the question and, on November 2, 1999, made its recommendation. (See Attachment A)

DISCUSSION OF ISSUES

ISSUE 1: Should the appropriate form of security from Orlando Telephone Company be a corporate undertaking to guarantee the \$116,311.18 payment from Sprint-Florida, Incorporated for terminating interstate switched access under section XVI.B.1. (Dispute Resolution) of the Interconnection Agreement until the underlying complaint is resolved by the Commission?

RECOMMENDATION: Yes. Orlando Telephone Company should provide a corporate undertaking to guarantee the \$116,311.18 payment from Sprint-Florida, Incorporated for terminating interstate switched access under section XVI.B.1 (Dispute Resolution) of the Interconnection Agreement until the underlying complaint is resolved by the Commission. (CALDWELL, HINTON)

STAFF ANALYSIS: The Division of Auditing and Financial Analysis (AFAD) researched the question concerning the acceptable form of security Orlando Telephone Company (OTC) should provide in order to guarantee payment of \$116,311.18 from Sprint-Florida, Incorporated (Sprint) in the event that the Commission decides that Sprint does not owe OTC for terminating interstate switched access as claimed in OTC's complaint. AFAD considered the criteria for a corporate undertaking which include sufficient liquidity, equity capitalization, interest coverage, and profitability to guarantee any potential refund. AFAD reviewed the unaudited financial statements of OTC for the twelve months ended December 31, 1998, and the eight months ended August 31, 1999.

AFAD stated that although OTC's equity ratio is below 30 percent, the company's financials reflect adequate liquidity, sufficient profitability, and a strong interest coverage ratio. AFAD further stated that the brief financial analysis is only appropriate for deciding if OTC could support a corporate undertaking in the amount proposed and should not be considered a

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finding regarding the staff's position on other issues. Based upon the foregoing, staff recommends that a corporate undertaking for the amount of \$116,311.18 be approved.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open pending the outcome of the hearing. (**CALDWELL**)

STAFF ANALYSIS: This docket should remain open pending the outcome of the hearing.



Public Service Commission

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

DATE: November 2, 1999
TO: Cayce Hinton, Division of Telecommunications
FROM: Eva P. Samaan, Division of Auditing and Financial Analysis *ED* *ALM*
RE: Docket No. 990884-TP Requirement of Corporate Undertaking by Orlando Telephone Company *MS*

Orlando Telephone Company (OTC) requests a corporate undertaking in the amount of \$116,311.18. The criteria for a corporate undertaking include sufficient liquidity, equity capitalization, interest coverage, and profitability to guarantee any potential refund. Staff has reviewed the unaudited financial statements of OTC for the twelve months ended December 31, 1998 and the eight months ended August 31, 1999. Although OTC's equity ratio is below 30%, the company's financials reflect adequate liquidity, sufficient profitability and a strong interest coverage ratio. Therefore, staff recommends that a corporate undertaking for the requested amount be approved.

The brief financial analysis is only appropriate for deciding if OTC can support a corporate undertaking in the amount proposed and should not be considered a finding regarding the staff's position on other issues.

cc: Division of Legal Services
Division of Records and Reporting
Andrew L. Maurey