

State of Florida



Public Service Commission

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APR - 8 AM 7:50
COMMISSION CLERK

DATE: April 8, 2004

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Competitive Markets & Enforcement (Isler) *Pix*
Office of the General Counsel (Rockette-Gray, Fordham) *DRG 2:57*

RE: Docket No. 040225-TI – Bankruptcy cancellation by Florida Public Service Commission of IXC Registration No. TI237 issued to Melbourne International Communications, Ltd., effective 3/11/04.

AGENDA: 04/20/04 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\040225.RCM.DOC

Discussion of Issues

Issue 1: Should the Commission grant Melbourne International Communications, Ltd. cancellation of its tariff and removal from the register with an effective date of March 11, 2004, due to bankruptcy; notify the Division of the Commission Clerk & Administrative Services that any unpaid Regulatory Assessment Fees, including statutory penalty and interest charges, should not be sent to the Florida Department of Financial Services and request permission to write-off the uncollectible amounts; and require the company to immediately cease and desist providing interexchange telecommunications services in Florida?

Recommendation: Yes. (Isler; Rockette-Gray; L. Fordham)

Staff Analysis: The Commission received notice that this company had filed for Chapter 11 bankruptcy protection. The Commission also received a letter from the company, which advised that it had no customers and that it was requesting cancellation of its tariff and removal from the register. The company further requested that any unpaid Regulatory Assessment Fees (RAFs) be

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written-off as no funds exist. The Commission is vested with jurisdiction over this matter pursuant to Sections 364.02, 364.336, and 364.285, Florida Statutes.

Although interexchange telecommunications companies are excluded from the definition of "telecommunications company," Section 364.02(13), Florida Statutes, provides that they remain subject to Section 364.336, Florida Statutes, which requires payment of Regulatory Assessment Fees by January 30 of the subsequent year for telecommunications companies, and Section 364.285, Florida Statutes, which authorizes the Commission to impose penalties for failure to comply with a lawful rule or order of the Commission or any provision of Chapter 364, including the failure to pay RAFs.

In this case, however, the company has filed for bankruptcy, and pursuant to Section 362(b)(4) of the Bankruptcy Code, the filing of a petition for bankruptcy relief acts as an automatic stay that enjoins a governmental entity from exercising its regulatory authority to collect a pre-petition debt. Additionally, in any bankruptcy liquidation or reorganization, secured creditors are given the highest priority in the distribution and, normally, receive all of the distributed assets. Regulatory Assessment Fees, interest, and penalties owed by a company to the Florida Public Service Commission are not secured debts and, as a practical matter, are uncollectible in a bankruptcy proceeding where liquidation occurs. As such, the Commission would be prevented from collecting the RAFs owed by this company, and from assessing and collecting a penalty for failure to pay the RAFs.

Accordingly, staff recommends that the company be granted the requested cancellation of its tariff, that it be removed from the Commission's IXC register, and that any unpaid RAFs be written-off as uncollectible. In addition, the company should immediately cease and desist providing interexchange telecommunications services in Florida.

Issue 2: Should this docket be closed?

Recommendation: Yes, if no protest is filed and upon issuance of a Consummating Order. **(Rockette-Gray; L. Fordham)**

Staff Analysis: The Order issued from this recommendation will become final upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Proposed Agency Action Order. The docket should then be closed upon issuance of a Consummating Order.