



Public Service Commission

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

DATE: July 7, 2000

TO: Brenda Hawkins, Division of Regulatory Oversight

FROM: David J. Draper, Division Economic Regulation *DD*

RE: Docket No. 000713-TP, Bond Waiver Request of Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance d/b/a Nevada Bell Long Distance d/b/a Pacific Bell Long Distance d/b/a SBC Long Distance

ALM

Section 25-24.490 (2), Florida Administrative Code, requires the following:

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.

Regarding the showing of financial capability, the Finance staff has analyzed the audited financial statements of Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance d/b/a Nevada Bell Long Distance d/b/a Pacific Bell Long Distance d/b/a SBC Long Distance (SBC) for the periods ending December 31, 1999, 1998 and 1997. Although SBC has minimal liquidity, the attached schedule shows that SBC has had sufficient common equity, positive net income and excellent interest coverage ratio for the three year period.

In this matter, SBC is requesting a waiver of the bond requirement as stated in Section 25-24.490 (2) of the Florida Administrative Code. For purposes of granting a waiver based on the financial information provided, the applicant appears to meet the financial capability standard of Section 25-24.490 (2), Florida Administrative Code. Therefore, staff recommends that the request for a bond waiver be granted.

- APP _____
- CAF _____
- CMP _____
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- SEC _____
- SER _____
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cc: Division of Legal Services
Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE
08441 JUL 12 8
FPSC-RECORDS/REPORTING

DOCKET NO. 000713-TP

SOUTHWESTERN BELL COMMUNICATIONS SERVICES, INC. D/B/A SOUTHWESTERN
BELL LONG DISTANCE D/B/A NEVADA BELL LONG DISTANCE D/B/A PACIFIC BELL LONG
DISTANCE D/B/A SBC LONG DISTANCE

FINANCIAL ANALYSIS FOR BOND WAIVER REQUIREMENT

(in millions)

| | 1999 | 1998 | 1997 |
|---------------------|-----------|-----------|-----------|
| Current Assets | 11,930 | 12,697 | 7,517 |
| Current Liabilities | 19,313 | 18,240 | 10,910 |
| Working Capital | (\$7,383) | (\$5,543) | (\$3,393) |
| Current Ratio | 0.62 | 0.70 | 0.69 |
| Equity | \$26,726 | \$22,774 | \$10,520 |
| Investor Capital | 20,849 | 21,348 | 15,315 |
| Total Capital | 47,575 | 44,122 | 25,835 |
| Equity Ratio | 56.2% | 51.6% | 40.7% |
| Interest | 1,430 | 1,605 | 1,550 |
| Income Taxes | 4,280 | 4,380 | 2,451 |
| Net Income | 8,159 | 7,690 | 4,087 |
| EBIT | 13,869 | 13,675 | 8,088 |
| Interest Coverage | 9.70 | 8.52 | 5.22 |
| Net Income (loss) | \$8,159 | \$7,690 | \$4,087 |
| ROE | 30.53% | 33.77% | 38.85% |

Source: The Company's annual 10-K S.E.C. Filings for 1999, 1998 & 1997
NMF = No Meaningful Figure