



Public Service Commission

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

DATE: June 19, 1998
 TO: Ray Kennedy, Division of Communications
 FROM: David J. Draper, Division of Auditing & Financial Analysis *OD ALM APC*
 RE: Docket 980697-TI, Williams Communications, Inc. d/b/a VYVX, Inc., Request for Waiver of Bond Requirement.

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.

The Finance staff has analyzed the audited financial statements of Williams Communications, Inc. d/b/a VYVX, Inc (Williams) for the periods ending December 31, 1997, 1996 and 1995. As the attached schedule shows, Williams has minimal liquidity, but reports sufficient common equity, adequate interest coverage and positive net income for the periods. Williams has nearly \$14 billion in capitalization and financial commitments. Staff believes that Williams has demonstrated adequate financial resources and income to assure the longevity of its operations. The company has also invested billions of dollars in its construction of a nationwide fiber-optic network and will invest an additional \$2.7 billion in expanding the network. Further, Williams will be initially investing approximately \$35 million in 1998 for the construction or acquisition of its Florida facilities.

ACK _____
 AFA _____
 APP _____ In addition to meeting the requirements of Rule 25-24.490(2), Florida Administrative Code, for
 CAF _____ waiver of the bond requirement, Williams's petition for waiver must also meet the requirements of
 CMU _____ Chapter 120.542, Florida Statutes. Under this statutory requirement, a petitioner requesting a waiver
 CTR _____ of a Commission rule must first demonstrate that the purpose of the underlying statute will otherwise
 EAG _____ be served if waiver of the rule is granted. Secondly, the petitioner must demonstrate that continued
 LEG _____ enforcement of the rule would result in substantial hardship for the petitioner or violate principles
 of fairness.

LIN _____
 OPC _____
 RCH _____
 SEC 1 _____
 WAS _____
 OTH _____

DOCUMENT NO.
 06997-28
 7-1-98

Docket No. 980697-TI

June 19, 1998

Page 2

Staff believes that Williams's petition meets the requirements of Chapter 120.542, Florida Statutes. First, the petitioner has demonstrated that the pro-consumer, public interest purposes of Chapter 364.03 and 364.337, Florida Statutes, underlying Rule 25-24.490(2), Florida Administrative Code, will be served if the Commission grants the waiver request. Williams has demonstrated that a bond is not necessary to protect consumers' interests in this situation because of its substantial financial resources and overall stability.

Secondly, the company has demonstrated that the Commission's enforcement of the bond requirement would result in substantial economic hardship for the company. Enforcement of the bond requirement would force Williams to invest a great amount of money in a bond and its associated expenses. Given Williams's financial stability and size, the posting of a bond is not necessary to protect the public interest. Accordingly, staff recommends that Williams's waiver petition be granted.

cc: Division of Legal Services
 Division of Records and Reporting (2)

Williams Communications, Inc. d/b/a VYVX, Inc.

Bond Waiver Request

Docket No. 980697-TI

(Dollars in millions)	December 31,		
	1997	1996	1995
Current Assets	\$2,255.9	\$1,890.1	\$1,343.8
Current Liabilities	3,027.4	2,199.3	2,049.9
Net Working Capital	(771.5)	(309.2)	(706.1)
Current Ratio	0.75	0.86	0.66
Common Equity	\$3,429.5	\$3,260.0	\$3,013.6
Preferred Stock Issued	142.2	161.0	173.5
Total Debt	4,565.3	4,376.9	2,874.0
Total Capital	8,137.0	7,797.9	6,061.1
Equity Ratio	42.1%	41.8%	49.7%
Interest Expense	\$388.6	\$353.0	\$263.4
EBIT	838.0	898.4	1,983.0
Interest Coverage	2.16	2.55	7.53
Net Income	\$271	\$362	\$1,318
ROE	7.91%	11.11%	43.74%

Source: Company's 10-Ks for 1997, 1996 & 1995

* Net Income for 1995 includes \$1,018.8 million of income from discontinued operations. If this amount were excluded, ROE for 1995 would have been 9.93%