

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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

MAY 30, 1996

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

FROM: DIVISION OF COMMUNICATIONS (WILLIAMS, WIGGINS)  
DIVISION OF AUDITING & FINANCIAL ANALYSIS (LESTER)  
DIVISION OF LEGAL SERVICES (BARONE)

RE: DOCKET NO. 960379-TI - APPLICATION FOR CERTIFICATE TO  
PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE BY  
CITIZENS TELECOMMUNICATIONS COMPANY d/b/a CITIZENS  
TELECOM.

AGENDA: 06/11/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\960379TI.RCM

*Handwritten notes: ALM, APC, [initials]*

CASE BACKGROUND

Section 364.337(3), Florida Statutes, reads as follows:

(3) The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

STAFF DISCUSSION

ISSUE 1: Should the Commission grant CITIZENS TELECOMMUNICATIONS COMPANY d/b/a CITIZENS TELECOM (CTC) a certificate to provide statewide interexchange telecommunications service within the State of Florida as provided by Section 364.337 (3), Florida Statutes?

DOCUMENT NUMBER-DATE

05933 MAY 30 96

FPSC-RECORDS/REPORTING

DOCKET NO. 960379-TI  
DATE: May 30, 1996

**RECOMMENDATION:** Yes, CTC should be granted:

**Florida Public Service Commission Certificate No. 4465**

**STAFF ANALYSIS:** CTC filed an application with this Commission on March 26, 1996, to offer telecommunications service as a reseller in Florida.

CTC's exhibit of managerial qualifications (page 3-4) reflects a satisfactory record in telecommunications sales, marketing and service. In regard to technical capability, CTC indicates in its application that it will be a reseller and will have the technical expertise to ensure that high quality standards are maintained at their facilities.

The Division of Auditing and Financial Analysis reviewed CTC's financial statement to determine the company's financial viability (pages 5-6). Based on the information provided by CTC, the financial capability of the company appears adequate.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes, if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

**STAFF ANALYSIS:** This docket should be closed if no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance date of the order.

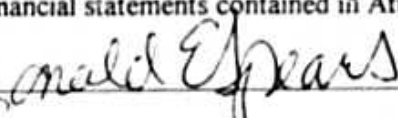
**Attachment 18**  
**FPSC Application, Question 18**

A. Financial capability:

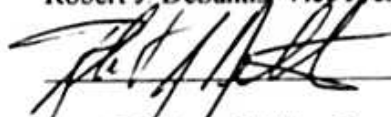
Applicant commenced operations in 1995. Its unaudited financial statements are appended as Attachment 18-1. The Applicant is a wholly-owned subsidiary of Citizens Utilities Company, a publicly-traded company with shares traded on the New York Stock Exchange.

By signing in the spaces below, Applicant's President and Chief Financial Officer affirm that, to the best of their knowledge, the financial statements contained in Attachment 18-1 are correct

Ronald E. Spears, President

 (Date) 3/18/96

Robert J. DeSantis, Vice President, Treasurer, CFO and Assistant Secretary

 (Date) 3/18/96

An excerpt of Citizens Utilities Company's SEC Form 10-K, 1994 financial results is appended as Attachment 18-2. The audited 1995 results will be made available, when released, upon request. Citizens Utilities Company funds the Applicant's operations through advances.

B. Managerial capability:

Ronald E. Spears is the Applicant's President and person who is responsible for all facets of its operation. Mr. Spears joined Citizens Telecom in 1995, following many years of experience in the telecommunications industry. In 1979, he joined MCI Telecommunications and held various engineering and management positions, including President of MCI Midwest. In that latter position, he was responsible for managing MCI's midwestern equal access marketing efforts. Prior to joining MCI, Mr. Spears was with AT&T's Long Lines division, managing a regional engineering group.

Daniel Lazarek is the Applicant's Vice President responsible for all sales functions, including customer service. He is also responsible for the "roll out" of new products to the public in both existing and new markets. From 1987 until joining Citizens Telecom in late 1994, Mr. Lazarek was employed by Rochester Telephone Corporation in a variety of sales and marketing positions, the last being Director of Marketing and Business Development for domestic telephone operations. Many of Mr. Lazarek's staff members at Citizens Telecom also had previous experience with Rochester Telephone.

Citizens Telecom's Director of Long Distance Marketing is Connie Goebel, who has over 12 years' experience in the telecommunications industry. She is responsible for creating and pricing customer product offerings.

**Attachment 18**  
**(continued)**

C. Technical capability:

Citizens Telecom's Operations Department is headed by Joseph J. Sullivan, III. Mr. Sullivan and many of his staff members came to Citizens Telecom in its recent acquisition of FCS, Inc., d/b/a Flex Communications, a large interexchange carrier in upstate New York. In his many years with Flex, Mr. Sullivan was responsible for all facets of operations.



# Public Service Commission

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

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**DATE:** May 7, 1996  
**TO:** Tom Williams, Division of Communications  
**FROM:** Pete Lester, Division of Auditing and Financial Analysis *PL APC ALM*  
**RE:** Docket No. 960379-TI, Citizens Telecommunications Company, Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *197*

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Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

(3) The Legislature finds that the competitive provision of telecommunications service, including local exchange telecommunications service, is in the public interest.

and

(4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets

Regarding the showing of financial capability, the Finance staff has analyzed the unaudited financial statements of Citizens Telecommunications Company. An audit could change one's opinion of the company's financial condition. The company has adequate liquidity, ownership equity, and profitability. Also, the company is subsidiary of Citizens Utility Company, which has an AA+ bond rating according to Standard and Poor's.

For certification purposes, the application appears adequate.

cc: Division of Legal Services  
Division of Records and Reporting

DOCKET NO. 960379-TI  
CITIZENS TELECOMMUNICATIONS COMPANY  
INTEREXCHANGE CERTIFICATE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	TWELVE MONTHS ENDING 12/31/95
CURRENT ASSETS	5,129,555
CURRENT LIABILITIES	1,123,803
CURRENT RATIO	4.56
CASH	226,211
COMMON EQUITY	418,706
TOTAL DEBT	346,859
NET INVESTOR CAPITAL	782,714
COMMON EQUITY RATIO	53%
NET INCOME	23,401
RETURN ON EQUITY	6%