



# Public Service Commission

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

**DATE:** January 22, 1997  
**TO:** Tom Williams, Division of Communications  
**FROM:** Sonja Jones, Division of Auditing and Financial Analysis *SK*  
**RE:** Docket No. 970051-TI, Microwave Services, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *ALM*

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 audited financial statements of The Associate Group Inc., the parent company of Microwave Services, Inc., (MSI) for the period ending December 31, 1995. As the attached schedule shows, the parent company has adequate ownership equity but marginal liquidity and reports negative net income.

ACK \_\_\_\_\_  
 AFA \_\_\_\_\_  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
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 OPC \_\_\_\_\_  
 RCH \_\_\_\_\_

In this matter, MSI is asking for a certificate to provide IXC service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service. The applicant's financial capability to provide the local exchange services is derived primarily from the financial resources of its parent company, The Associated Group, Inc. Furthermore, the parent company is committed to providing funds to the applicant until it has sufficient revenue to sustain its own operations. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

SEC / cc: Division of Legal Services  
 WAS \_\_\_\_\_ Division of Records and Reporting

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. 970051  
MICROWAVE SERVICES, INC.  
IXC CERTIFICATE  
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS  
OF THE ASSOCIATE GROUP, INC. (Parent Company)

	AS OF 12/31/95
CURRENT ASSETS	\$5,063,000
CURRENT LIABILITIES	5,978,000
CURRENT RATIO	0.85
CASH	1,018,000
COMMON EQUITY	357,398,000
TOTAL DEBT	33,470,000
TOTAL INVESTOR CAPITAL	390,868,000
COMMON EQUITY RATIO	91%
NET INCOME	(13,213,000)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure