



Public Service Commission

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

DATE: June 9, 1997
TO: Tom Williams, Division of Communications
FROM: David Draper, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 970671-TI, Southwestern Bell Communications, Inc. d/b/a Southwestern Bell Long Distance, Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *APC*

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 Southwestern Bell Communications, Inc. d/b/a Southwestern Bell Long Distance (SBLD) for the period ending December 31, 1996. As the attached schedule shows, SBLD has minimal liquidity, sufficient common equity and produced a positive net income for the period.

In this matter, SBLD is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate. The applicant attests to its financial capability to provide and maintain the proposed telecommunications service. In addition, SBLD is a wholly-owned subsidiary of SBC Communications, Inc. (SBC), a holding company of one of the Bell operating companies. SBC will provide all funds necessary for the operation of SBLD. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

cc: Division of Legal Services
Division of Records and Reporting

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FPSC-RECORDS/REPORTING

DOCKET NO. : 970671-11
SOUTHWESTERN BELL COMMUNICATIONS SERVICES, INC.
d/b/a SOUTHWESTERN BELL LONG DISTANCE

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM AUDITED CONSOLIDATED FINANCIAL STATEMENTS

	(,000,000)
CURRENT ASSETS	\$3,912
CURRENT LIABILITIES	5,820
CURRENT RATIO	0.67
CASH	755
COMMON EQUITY	6,835
TOTAL DEBT	5,505
TOTAL INVESTOR CAPITAL	12,340
COMMON EQUITY RATIO	55%
NET INCOME	2,101
RETURN ON EQUITY	31%

NMF = No Meaningful Figure