



Public Service Commission

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

DATE: November 12, 1997
 TO: Tom Williams, Division of Communications
 FROM: Sonja Jones, Division of Auditing and Financial Analysis *ALM*
 RE: Docket No. 971-5-TX, US LEC of Florida, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *SM*

Section 364.337 (1), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide alternative local exchange 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 US LEC, LLC, the parent company of US LEC of Florida, Inc., (US LEC) for the five-month period ending May 31, 1997. As the attached schedule shows, US LEC has adequate liquidity and ownership equity but reports negative net income.

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
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- EAG _____
- LEG _____
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- RCH _____
- REC _____
- WAS _____
- OTH _____

In this matter, US LEC is asking for a certificate to provide alternative local exchange telecommunications 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 adequate.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service. The applicant is a start-up company and is relying on the financial strength and support of its parent company in beginning operations in Florida. 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

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. 971455-11
US LEC of Florida, Inc.
ALEC CERTIFICATE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS
of US LEC, LLC and Affiliates (Parent Company)

FOR THE FIVE
MONTHS ENDING
05/31/97

CURRENT ASSETS	\$4,283,812
CURRENT LIABILITIES	752,128
CURRENT RATIO	5.70
CASH	1,353,337
COMMON EQUITY	3,345,088
TOTAL DEBT	2,870,000
TOTAL INVESTOR CAPITAL	6,215,088
COMMON EQUITY RATIO	54%
NET INCOME	(2,427,181)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure