

ORIGINAL

State of Florida



Public Service Commission

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

DATE: November 21, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *PL ALM*
RE: Docket No. 971274-TX, Frontier Corporation, Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *gpc*

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 unaudited financial statements of Frontier Corporation (Frontier), the parent company of Frontier Telemanagement, Inc. (FTM), for the year ended June 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Frontier has adequate liquidity and ownership equity. Its profitability is low but adequate.

ACK _____
 AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 LYN _____
 RIV _____
 RLY _____
 RPH _____
 WAS _____
 WTH _____

In this matter, FTM is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application. 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 by noting that it is a wholly owned subsidiary of Frontier Corporation, which has an A bond rating from S & P. Frontier, formally Rochester Telephone, is a large corporation with a long history in the telephone industry. 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 (2)

DOCUMENT NUMBER DATE

12264 DEC-25

FRONTIER CORPORATION REPORTING

DOCKET NO. 971274-TI
FRONTIER TELEMAGEMENT, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS OF FRONTIER
CORPORATION, THE PARENT COMPANY OF FRONTIER
TELEMAGEMENT, INC.

| IN THOUSANDS OF DOLLAR | YEAR ENDED <u>JUNE 30, 1997</u> |
|------------------------|---------------------------------------|
| CURRENT ASSETS | 471,471 |
| CURRENT LIABILITIES | 412,079 |
| CURRENT RATIO | 1.14 |
| CASH | 23,082 |
| COMMON EQUITY | 1,017,063 |
| TOTAL DEBT | 783,243 |
| PREFERRED STOCK | 20,125 |
| TOTAL INVESTOR CAPITAL | 1,820,431 |
| COMMON EQUITY RATIO | 56% |
| NET INCOME | 28,883 |
| RETURN ON EQUITY | 3% |