



Public Service Commission

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

DATE: December 1, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *F2 APC ALCM*
RE: Docket No. 971309-TI, Telmex/Sprint Communications, L.L.C., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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 Telmex and Sprint, the parent companies of Telmex/Sprint Communications, L.L.C. (TSC), for the year ended December 31, 1996. As the attached schedules show, both Telmex and Sprint have adequate liquidity, ownership equity, and profitability.

ACK _____
 AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____

In this matter, TSC is asking for a certificate to provide IXC 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.

EAG _____
 LEG _____
 LIN _____
 OPC _____
 RCH _____
 STJ _____

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that the joint venture partners, Sprint and Telmex, will provide sufficient financing. Sprint has an A- bond rating from S & P, and Telmex's commercial paper has a mxA-1+ rating from S & P, the highest S & P rating available to Mexican companies. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

WFB _____
 OTM _____

cc: Division of Legal Services
 Division of Records and Reporting (2)

DOCUMENT NUMBER DATE

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FEDERAL GOVERNMENT PRINTING OFFICE

DOCKET NO. 971309-TI
TELMEX/SPRINT COMMUNICATIONS, L.L.C.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM AUDITED FINANCIAL STATEMENTS OF TELMEX

| MILLIONS OF MEXICAN PESOS | YEAR ENDED <u>DECEMBER 31, 1996</u> |
|------------------------------|---|
| CURRENT ASSETS | 19,158 |
| CURRENT LIABILITIES | 8,438 |
| CURRENT RATIO | 2.27 |
| CASH | 5,087 |
| COMMON EQUITY | 89,215 |
| TOTAL DEBT | 13,358 |
| PREFERRED STOCK | 0 |
| TOTAL CAPITAL | 102,571 |
| COMMON EQUITY RATIO | 87% |
| NET INCOME | 11,600 |
| RETURN ON EQUITY | 13% |

DOCKET NO. 971309-TI
TELMEX/SPRINT COMMUNICATIONS, L.L.C.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM AUDITED FINANCIAL STATEMENTS OF SPRINT

| MILLIONS OF DOLLARS | YEAR ENDED <u>DECEMBER 31, 1996</u> |
|---------------------|---|
| CURRENT ASSETS | 4,352 |
| CURRENT LIABILITIES | 3,015 |
| CURRENT RATIO | 1.44 |
| CASH | 1,150 |
| COMMON EQUITY | 8,508 |
| TOTAL DEBT | 3,280 |
| PREFERRED STOCK | 11 |
| TOTAL CAPITAL | 11,799 |
| COMMON EQUITY RATIO | 72% |
| NET INCOME | 1,183 |
| RETURN ON EQUITY | 14% |