



# Public Service Commission

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

**DATE:** December 15, 1997  
**TO:** Tom Williams, Division of Communications  
**FROM:** David J. Draper, Division of Auditing and Financial Analysis *DLJ*  
**RE:** Docket No. 971598-TX, Frontier Local Services, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ALM*  
*AHC*  
*[Signature]*

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 Local Services, Inc. (FLS) for the six month period ending June 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, FLS has adequate liquidity, sufficient common equity and reported a positive net income for the period.

ACK \_\_\_\_\_  
 AFA \_\_\_\_\_  
 APP \_\_\_\_\_ In this matter, FLS is asking for a certificate to provide alternative local exchange  
 CAF \_\_\_\_\_ telecommunications service. Staff notes the limited nature of the application and that no  
 CMU \_\_\_\_\_ customer provided funds appear to be at risk. For purposes of granting a certificate based on  
 CTR \_\_\_\_\_ the financial information provided, the financial capability appears adequate. The applicant  
 EAG \_\_\_\_\_ attests to its financial capability to provide and maintain the proposed telecommunications service  
 LEG \_\_\_\_\_ by noting that FLS proposes to operate as a reseller in the state of Florida, and will incur  
 LIN \_\_\_\_\_ minimal capital or operating expenses. In addition, the Company will increase and maintain  
 OPC \_\_\_\_\_ available capital from continuing operations. 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

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FPSC-RECORDS/REPORTING

WAS \_\_\_\_\_  
 OTH \_\_\_\_\_

DOCKET NO. 971598-TX  
FRONTIER LOCAL SERVICES, INC.

ALTERNATIVE LOCAL EXCHANGE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 06/30/97
CURRENT ASSETS	\$471,471
CURRENT LIABILITIES	417,719
CURRENT RATIO	1.13
CASH	23,082
COMMON EQUITY	1,017,063
TOTAL DEBT	847,336
TOTAL INVESTOR CAPITAL	1,864,399
COMMON EQUITY RATIO	55%
NET INCOME	28,883
RETURN ON EQUITY	3%

NMF = No Meaningful Figure