



Public Service Commission

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

DATE: January 8, 1998 ALM
TO: Paula Isler, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis DO APE
RE: Docket No. 971599-TI, Discount Utilities, LLC, Financial Analysis for Certificate
 Application for Intrastate Interexchange Telecommunications Service JTS

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 unaudited balance sheet of Discount Utilities, LLC (DUL) for the period ending November 10, 1997. The applicant requested confidential treatment of its financial statements. An audit could change one's opinion of the company's financial condition. Based on the review of the applicant's financial information, DUL has minimal liquidity and negative common equity. The Company is in the process of forming and has not produced income for the period.

In this matter, DUL 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 minimal.

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service. In addition, the Company has provided a four month projected income statement to support their position of increasing 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)

JAN 26 1998