



July 16, 1999  
VIA OVERNIGHT DELIVERY

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Ms. Blanca S. Bayo  
Director, Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0870

990938-TI

RE: Application of TON Services Inc. for authority to provide Interexchange Telecommunications Service within the State of Florida - Confidential Claim for Financial Statements.

Dear Ms. Bayo:

Enclosed are the financial statements of TON Services Inc. which we ask that you file in the above captioned proceeding. The enclosed material is confidential and should be treated accordingly pursuant to Chapter 364.183(1), Florida Statutes. Pursuant to the requirements of Rule 25-22.006(5)(a), enclosed is one copy of the subject material with the confidential portions highlighted. Also enclosed are two redacted copies of the same material.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me.

Sincerely,

Robin Norton  
Consultant to TON

cc: Neil Vos  
file: TON - FL  
tms: FLd9900a

This document has been placed in  
confidential storage pending advice on  
handling from OPR staff.

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DOCUMENT NUMBER-DATE  
08549 JUL 19 99  
FPSC-RECORDS/REPORTING

*Confidential*  
DOCUMENT NUMBER-DATE  
08548 JUL 19 99  
FPSC-RECORDS/REPORTING

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990938-11



**FLYING J INC. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**January 31, 1999, 1998, and 1997**

**(With Independent Auditors' Report Thereon)**

DOCUMENT NUMBER-DATE

08549 JUL 1998

FPSC-RECORDS/REPORTING

# Independent Auditors' Report

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The Board of Directors  
Flying J Inc.:

We have audited the accompanying consolidated balance sheets of Flying J Inc. and subsidiaries as of January 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended January 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Flying J Inc. and subsidiaries as of January 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 1999, in conformity with generally accepted accounting principles.

The supplemental information regarding oil and gas producing activities is not a required part of the basic consolidated financial statements of Flying J Inc. and subsidiaries, but is supplementary information required by the Financial Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

Salt Lake City, Utah  
April 20, 1999

# Consolidated Balance Sheets

FLYING J INC. AND SUBSIDIARIES

January 31, 1999 and 1998

(In thousands, except per share amounts)

Assets	1999	1998
<b>Current assets:</b>		
Cash and cash equivalents	\$	
Trade receivable, net of allowance for doubtful accounts of \$713 in 1999 and \$852 in 1998 (note 6)		
Notes and other receivables (note 12)		
Inventories (note 3)		
Prepaid expenses		
Total current assets		
<b>Land, buildings, equipment, and oil and gas properties (note 6):</b>		
Land and improvements		
Buildings		
Equipment		
Oil and gas properties (using the full-cost method of accounting) (notes 14 and 15)		
Construction-in-progress		
Less accumulated depreciation, depletion, and amortization		
Net land, buildings, equipment, and oil and gas properties		
Long-term notes receivable, net of current portion (note 12)		
Other assets (note 4)		
	\$	
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Current installments of long-term debts (notes 6 and 7)	\$	
Accounts payable (note 12)		
Accrued liabilities (note 5)		
Total current liabilities		
Long-term debt, excluding current installments (note 6)		
Subordinated debentures, excluding current installments (notes 6 and 7)		
Other liabilities		
Total liabilities before deferred income taxes and minority interest		
Deferred tax liability (note 9)		
Minority interest in equity of subsidiaries		
<b>Shareholders' equity (note 10):</b>		
Common stock, \$1 par, 10,000,000 shares authorized; 1,241,276 and 1,225,274 issued and outstanding in 1999 and 1998, respectively		
Additional paid-in capital		
Retained earnings		
Total shareholders' equity		
Commitments and contingencies (notes 6, 7, 8, and 14)		
	\$	

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Income

FLYING J INC. AND SUBSIDIARIES

Year ended January 31, 1999, 1998, and 1997.

(In thousands, except per share amounts)

	1999	1998	1997
Sales (note 1(k))	\$ [REDACTED]	[REDACTED]	[REDACTED]
Cost of sales, includes LIFO adjustment of 0, (\$5,366), and \$3,077 for 1999, 1998, and 1997, respectively	[REDACTED]	[REDACTED]	[REDACTED]
Inventory write down (note 3)	[REDACTED]	[REDACTED]	[REDACTED]
Gross profit	[REDACTED]	[REDACTED]	[REDACTED]
Operating, general, and administrative expense:			
Operating	[REDACTED]	[REDACTED]	[REDACTED]
General and administrative	[REDACTED]	[REDACTED]	[REDACTED]
Demolition costs related to refinery closures	[REDACTED]	[REDACTED]	[REDACTED]
Environmental costs related to refinery closures	[REDACTED]	[REDACTED]	[REDACTED]
Writedown of oil and gas properties (note 1(g))	[REDACTED]	[REDACTED]	[REDACTED]
Income from operations	[REDACTED]	[REDACTED]	[REDACTED]
Other income (expense):			
Interest income	[REDACTED]	[REDACTED]	[REDACTED]
Interest expense, net	[REDACTED]	[REDACTED]	[REDACTED]
Other income	[REDACTED]	[REDACTED]	[REDACTED]
Minority interest in income and losses from subsidiaries	[REDACTED]	[REDACTED]	[REDACTED]
Income before income taxes	[REDACTED]	[REDACTED]	[REDACTED]
Income tax expense (note 9)	[REDACTED]	[REDACTED]	[REDACTED]
Net income	\$ [REDACTED]	[REDACTED]	[REDACTED]
Earnings per share:			
Basic	\$ [REDACTED]	[REDACTED]	[REDACTED]
Diluted	\$ [REDACTED]	[REDACTED]	[REDACTED]

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

FLYING J INC. AND SUBSIDIARIES  
 Years ended January 31, 1999, 1998, and 1997  
 (In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury Stock	Total shareholder's equity
Balances at January 31, 1996	\$				
Purchase of common stock					
Issuance and contribution of common stock to employee stock ownership plan					
Distributions					
Net income					
Balances at January 31, 1997					
Purchase of common stock					
Issuance and contribution of common stock to employee stock ownership plan					
Net Income					
Balances at January 31, 1998					
Purchase of common stock					
Issuance of common stock and contribution of common stock to employee stock ownership plan					
Net income					
Balances at January 31, 1999	\$				

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

FLYING J INC. AND SUBSIDIARIES

Years ended January 31, 1999, 1998, and 1997

(In thousands)

	1999	1998	1997
<b>Cash flows from operating activities:</b>			
Net income	\$		
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, and amortization			
Inventories - LIFO adjustment			
Provision for losses on accounts receivable			
Contribution of common stock to employee stock ownership plan			
Minority interest in income of subsidiary			
Gain on sale of fixed assets and interest in a subsidiary			
Income from non-consolidated subsidiaries			
Change in operating assets and liabilities:			
Trade and other receivables			
Inventories before LIFO adjustment			
Prepaid expenses			
Other assets			
Accounts payable and accrued liabilities			
Other liabilities			
Deferred income taxes			
<b>Net cash provided by operating activities</b>			
<b>Cash flows from investing activities:</b>			
Proceeds from sale of fixed assets			
Acquisition of oil and gas properties			
Capital expenditures			
Proceeds from sale of investment in subsidiaries			
Dividend from unconsolidated subsidiary			
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities:</b>			
Net proceeds under notes payable and line of credit agreements			
Payments on subordinated note			
Proceeds from long-term debt			
Payments on long-term debt			
Purchase of treasury stock			
Issuance of common stock			
Distribution to minority interest partner			
<b>Net cash provided by financing activities</b>			
<b>Increase (decrease) in cash and cash equivalents</b>			
<b>Cash and cash equivalents, beginning of year</b>			
<b>Cash and cash equivalents, end of year</b>	\$		

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows (continued)

FLYING J INC. AND SUBSIDIARIES  
 Years ended January 31, 1999, 1998, and 1997  
 (In thousands)

		1999	1998	1997
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid for interest, net of capitalized amounts	\$	[REDACTED]	[REDACTED]	[REDACTED]
Cash paid for income taxes	\$	[REDACTED]	[REDACTED]	[REDACTED]
<b>Supplemental Disclosure of Noncash Investing Activities</b>				
During 1998, Big West Oil & Gas Inc., acquired certain oil and gas properties from Equitable Resources Energy Company (note 2). The following is a summary of the effects of this transaction in the Company's consolidated balance sheet:				
<b>Assets acquired:</b>				
Inventories	\$	[REDACTED]		
Building, equipment, and oil and gas properties		[REDACTED]		
Other assets		[REDACTED]		
<b>Liabilities assumed:</b>				
Royalties payable		[REDACTED]		
Production taxes		[REDACTED]		
Net cash used	\$	[REDACTED]		

See accompanying notes to consolidated financial statements.

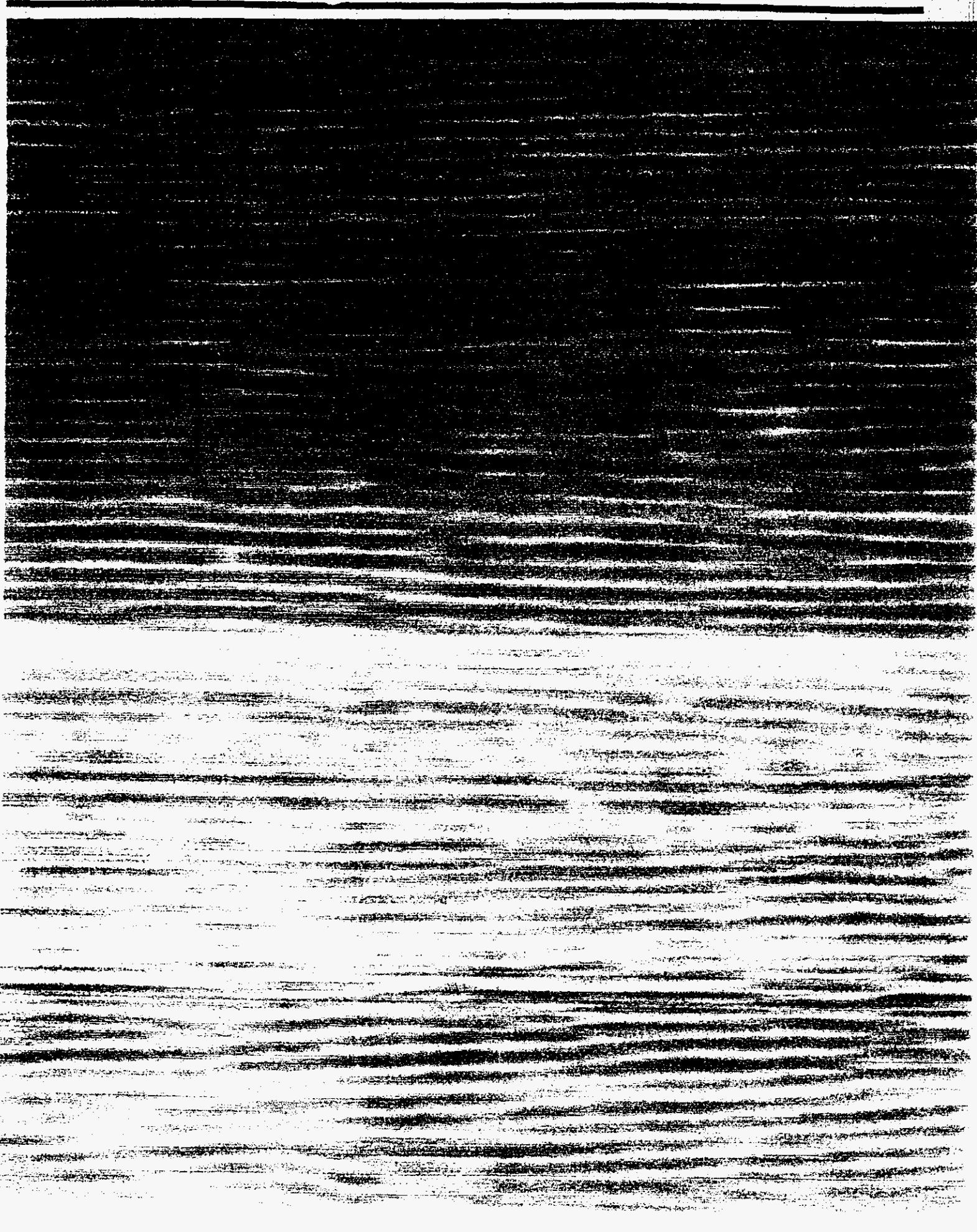


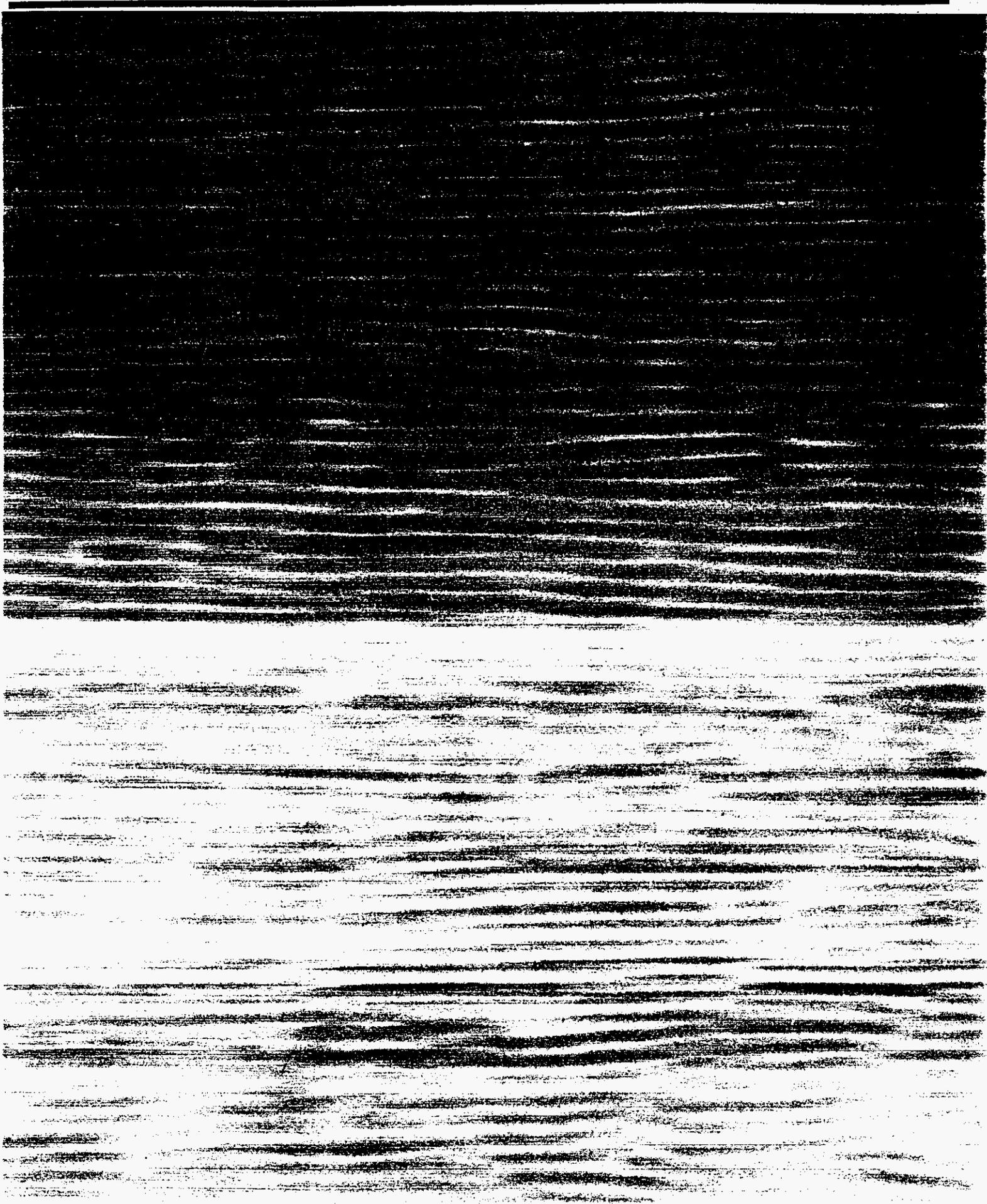
(3) Inventories

(6) Long-term Debt

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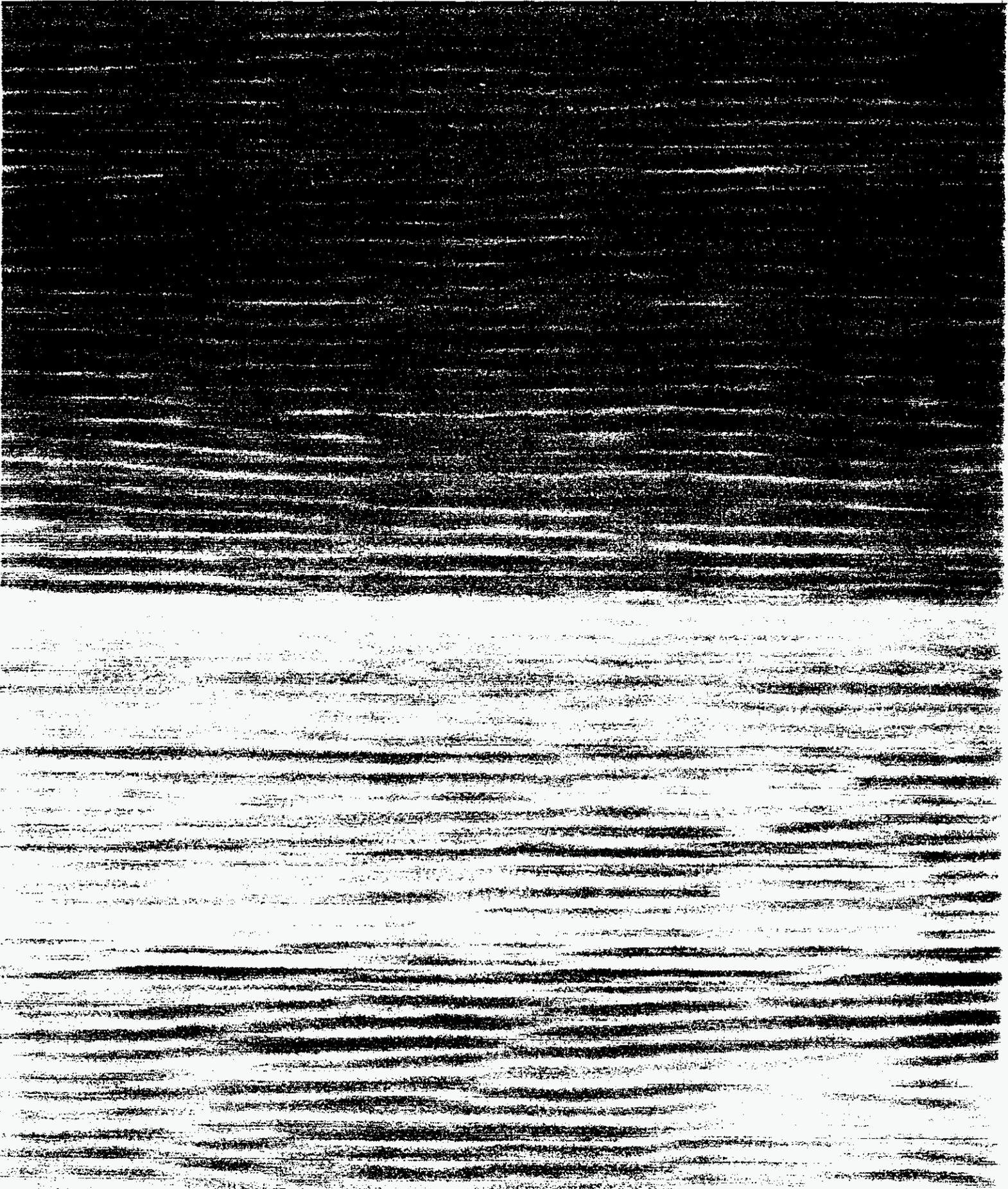


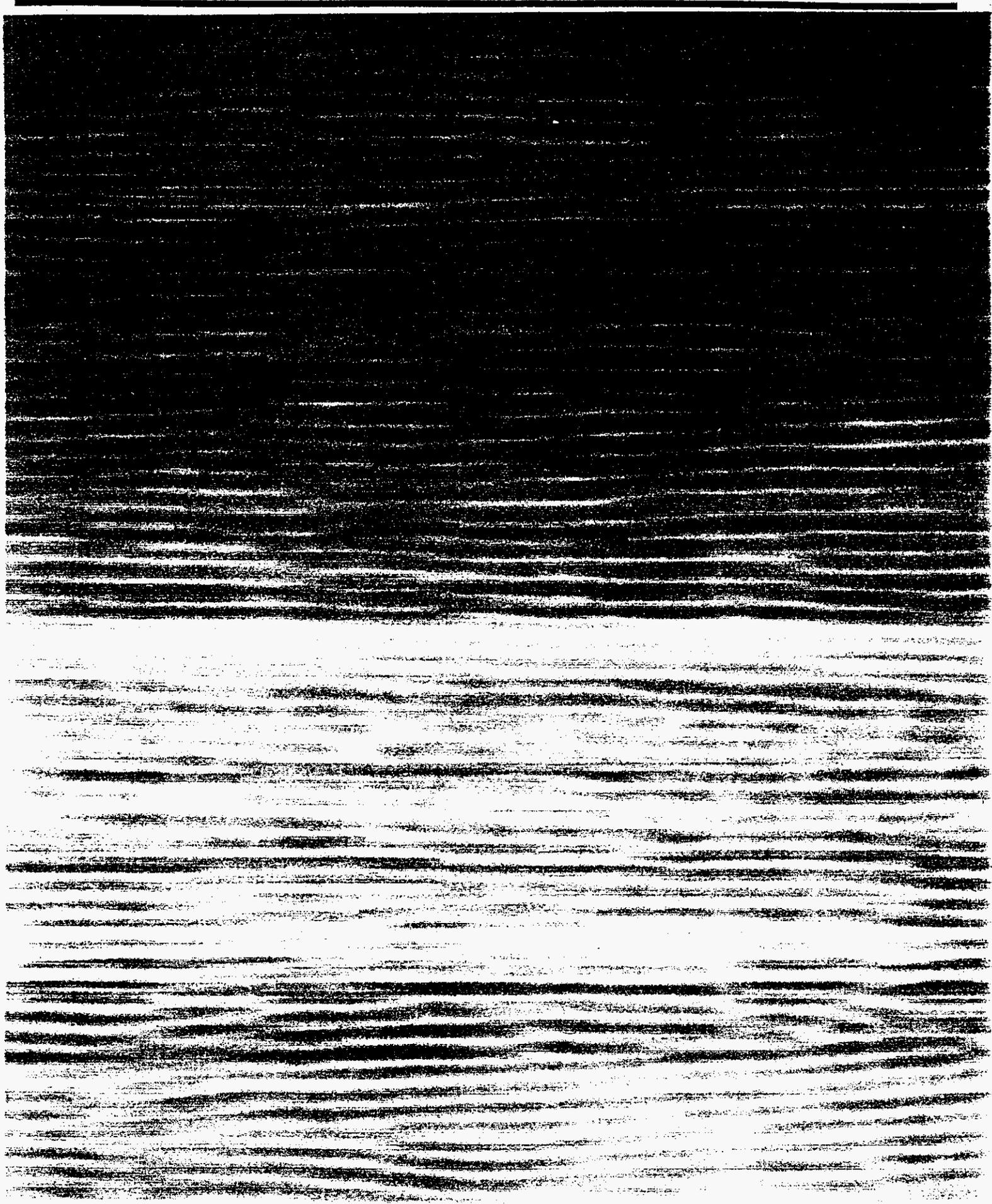




(10) Common Stock (continued)

(11) Employee Benefit Plans

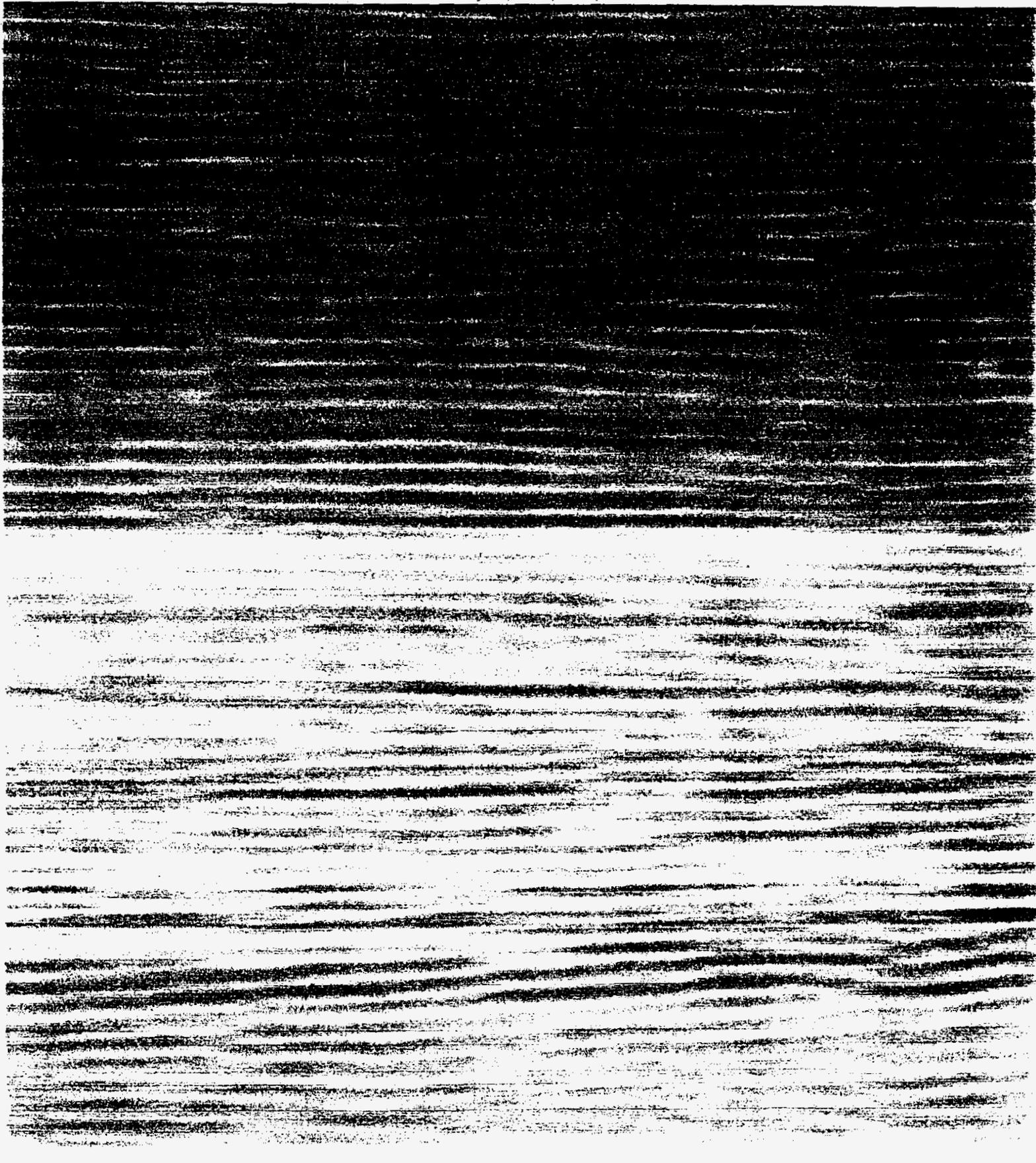
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FLYING J INC. AND SUBSIDIARIES  
(Unaudited - see Accompanying Independent Auditors' Report)

Supplemental Information Regarding Oil and Gas Producing Activities

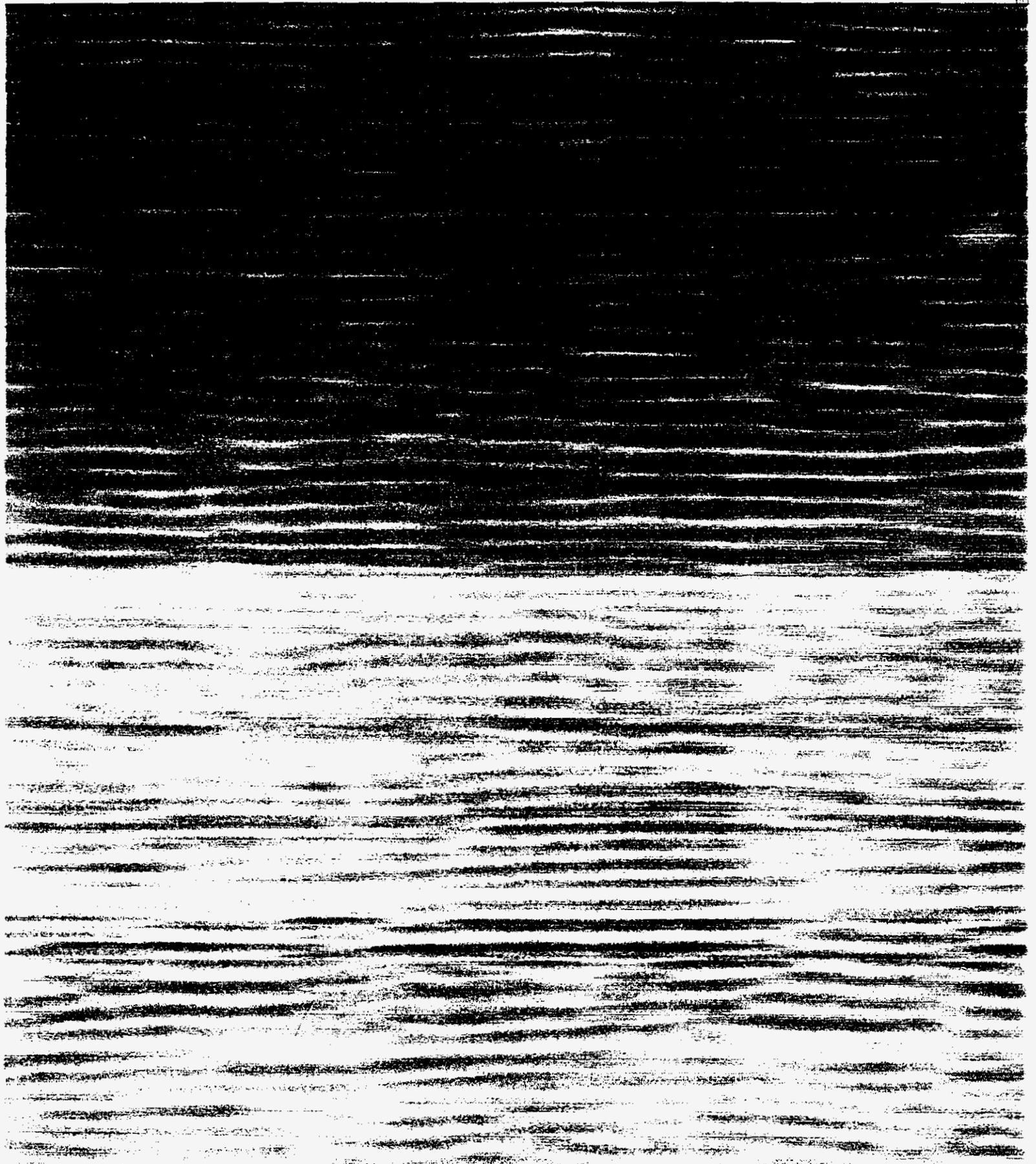
Years ended January 31, 1999, 1998, and 1997



Notes to Consolidated Financial Statements

YING J INC. AND SUBSIDIARIES

January 31, 1999, 1998, and 1997



FLYING J INC. AND SUBSIDIARIES  
(Unaudited – see Accompanying Independent Auditors' Report)

Supplemental Information Regarding Oil and Gas Producing Activities (continued)

Years ended January 31, 1999, 1998, and 1997

