

State of Florida



# Public Service Commission

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

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**DATE:** March 7, 2000  
**TO:** Nancy Pruitt, Division of Communications  
**FROM:** David J. Draper, Division of Auditing and Financial Analysis *DD*  
**RE:** Docket No. 000246-TX, Fairpoint Communications Corporation, Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ALM*

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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 Fairpoint Communications Corporation (FAC) for the period ending December 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule presents, FAC shows adequate liquidity, but reports marginal common equity and negative income for the period.

In this matter, FAC is asking for a certificate to provide alternative local exchange telecommunications service. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that FAC has over \$440 million in assets and has the ability to obtain additional financing through traditional commercial lending institutions. 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

03075 MAR-98

FPSC-RECORDS/REPORTING

DOCKET NO. 000246-TX  
FAIRPOINT COMMUNICATIONS CORPORATION

ALTERNATIVE LOCAL EXCHANGE SERVICE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 12/31/1998 (,000)
CURRENT ASSETS	\$35,636
CURRENT LIABILITIES	26,078
CURRENT RATIO	1.37
CASH	13,241
COMMON EQUITY	9,886
TOTAL DEBT	40,141
TOTAL INVESTOR CAPITAL	50,027
COMMON EQUITY RATIO	20%
NET INCOME	(8,000)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure